A Co-operative Development Strategy for Canada

Report of the National Task Force on Co-operative Development

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A CO-OPERATIVE DEVELOPMENT STRATEGY FOR CANADA

REPORT OF THE NATIONAL TASK FORCE ON CO-OPERATIVE DEVELOPMENT

MAY 1984

The Honourable Hazen Argue, P.C.
Minister Responsible for the Canadian
Wheat Board
The Senate
Ottawa, Ontario

Dear Mr. Argue:

On behalf of the National Task Force on Co-operative Development, organized to seek out opportunities for continued Canadian co-operative development, we have the honour to submit the following report.

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ACKNOWLEDGEMENTS

The Task Force is grateful to a number of individuals and organizations who have made an invaluable contribution to the work of the Task Force since it was established in January 1984.

The strength of this report is based on the extent to which it reflects a consensus among co-operative members and organizations from all regions and sectors of the country. During the work of the Task Force more than 1,000 individual directors, managers, and members of nearly 120 co-operative sector organizations in Canada were either personally interviewed or participated in special working group meetings. Member organizations of both the Co-operative Union of Canada and the Conseil canadien de la coopération responded with enthusiasm to the opportunity to contribute to this study, and we are grateful for the time and effort devoted by all.

The Task Force is also indebted to the consulting firms which undertook the onerous responsibility of coordinating the preparation, drafting and production of the report within a very limited period of time. The Task Force wishes to express its appreciation to David Pecaut, Ron Lalonde and Derrick Milne of The Canada Consulting Group Inc., Claude Forget, Christiane Langevin, and Daniel Denis of Secor Inc., and Tom Webb of Tara Policy Alternatives, for the highly competent and professional manner in which they carried out this assignment.

We also gratefully acknowledge the importance of the role of the federal government in providing financial support for the work of the Task Force. The Honourable Senator Hazen Argue, his staff, and officials of the Grains Group and Agriculture Canada's Co-operative Section have all been highly supportive of this co-operative sector initiative.

The Task Force also had the benefit of staff expertise from within the co-operative sector. We wish to pay particular tribute to the extensive work undertaken in this activity by Jonathan Guss, Vice-President, Canadian Co-operative Credit Society; Bruce Thordarson, Executive Director, Co-operative Union of Canada; Yvan Forest, Director-General, Conseil canadien de la coopération; and Louis-Georges Gervais, Director-General, Conseil de la coopération du Québec. They and many others provided assistance and advice that was invaluable to the work of the Task Force.

Representing as it does a broad spectrum of the English-speaking and French-speaking co-operative sectors in Canada, the Task Force believes that its report accurately reflects the current priority concerns of Canada's co-operative movement. The Task Force itself does, of course, bear full responsibility for the contents of this report and for its recommendations.

THE REPORT IN BRIEF

The last decade has brought tremendous changes for Canadians. We have witnessed record high unemployment, unprecedented interest rates and faltering economic growth. And many of us have come to question the effectiveness of most of our private and public institutions in mobilizing our human and economic resources to meet these challenges.

With these problems in mind, this Task Force was organized with a specific mandate: to investigate ways in which co-operatives could better contribute to meeting the economic and social needs of Canadians. Our findings indicate that co-operatives have an important role to play in national development by stimulating community-based economic growth and extending democratic participation to new segments of our society. In the process co-operatives can inject a needed dose of social innovation into an institutional framework that appears to be more a part of the problem than the solution.

A VISION FOR CO-OPERATIVES IN CANADA

We believe that the central challenge before Canadians is how to make our economic and social institutions more participatory and responsive to human needs. Our country has an extraordinary wealth of resources, both physical and human, but we have had difficulty bringing those resources to bear on the troublesome economic and social problems of this decade. Many Canadians do not believe that existing institutions will protect their interests as our economy restructures - they are not confident that new industries and new technologies will improve their lives, and they are afraid of being overlooked in the creation of a new economy. As a result, they will not

actively participate in solving the problems we face and in fact will likely block solutions that they perceive leave them out.

Co-operatives, because of their unique nature, can provide an answer to some of these problems. Co-operatives are different from public sector organizations and other private sector businesses. They are business organized on the basis of one member/one vote - a fundamental principle which dramatically enhances organizational responsiveness to member needs and concerns. This principle also allows broad participation of members in the decision-making process, from general meetings, delegate conferences, and policy committees right through to an elected board of directors. As democratically constituted organizations, participation is open to all individuals, providing economic experience and power to those often disenfranchised by other institutions - including women, ethnic groups and visible minorities. In fact, not only is such broad participation possible in co-operatives it is encouraged and even essential to their long-term success. A co-operative survives and prospers only by understanding and then meeting the economic and other social needs of its members. Participation facilitates that process.

By responding to the needs of people rather than the needs of capital, and by involving people in important economic decisions, co-operatives are particularly well-suited to address the challenge of institutional unresponsiveness facing our nation. While this participation and involvement is not without cost, it usually results in better decisions and mobilizes member commitment and enthusiasm for new policies. With the relentless pressure of a concerned and active membership, co-operatives have generally been successful as cost-efficient organizations in highly competitive markets.

ECONOMIC DEMOCRACY IS AT THE HEART OF THE CO-OPERATIVE VISION -GIVING PEOPLE A REAL SAY IN THE SOCIAL AND ECONOMIC DECISIONS AFFECTING THEIR LIVES.

Our philosophy of co-operative development is one in which co-operatives arise out of community-based initiatives aimed at meeting local needs. This approach to development is particularly appropriate as part of the solution to Canada's persistent problem of regional underdevelopment. All too often, centrally administered programs designed to spur regional economic development lack the local commitment and ownership necessary to succeed. The co-operative alternative promotes local leadership and commitment and gives local members a democratic as well as economic stake in the development of their community.

CO-OPERATIVES: A POTENT ECONOMIC AND SOCIAL FORCE

Co-operatives already represent a potent economic and social force in this country. In 1980 revenues of co-operative organizations topped $15 billion, representing 2.4% of total Canadian corporate revenues. Co-operatives reported over 12 million memberships in 1982, and an independent national public opinion survey found that 43% of adult Canadians belonged to at least one co-operative organization. Co-operatives play significant economic roles in all regions of the country and in many industries of critical importance to Canada including agriculture, financial services, and retailing.

Aggregated as a separate sector, co-operative revenues are comparable to those of paper and allied industries and are significantly higher than several other important Canadian industries - such as electrical equipment, iron and steel mills, and forestry. And within the co-operative sector there are many large individual businesses. At least 19 co-operative organizations are numbered among the country's 500 largest businesses listed in the "Financial Post 500", and another 18 credit unions, caisses populaires and co-op trust companies are among Canada's 100 largest saving and loan institutions compiled in the "Financial Post 100 Banks/Financial Institutions".

Agricultural co-operatives are also strong in all regions of Canada and in several different industries. The co-operative share of the national grain trade is estimated at nearly 70%, the co-operative share of the dairy industry at 50%, and the co-operative share of the fertilizer and feed industries at over 30%. Co-operators have established a strong co-operative retailing system in all regions of Canada, a significant co-operative fisheries sector on both coasts, and a co-operative housing sector that is growing quickly, especially in urban Canada.

Financial co-operatives have become an important force throughout Canada. The credit union/caisse populaire system has over 9% of the total assets of Canada's major financial institutions, and co-operative insurance companies hold almost 7% of all Canadian life insurance in force and over 8% of property and casualty insurance. The largest insurance company in Canada is a co-operative - The Co-operators Group.

In addition to being important contributors to economic growth, co-operatives serve a very important social role both in minimizing the social pain of economic adjustments and in providing social services which would not otherwise be available. Dedicated to serving member needs, they can deliver much-needed but marginally economic services. Thus, co-operatives have pioneered the introduction of people-oriented services such as daycare in credit unions and grocery stores and continuing education in virtually all parts of the co-operative sector. Co-operatives also provide important social and cultural cohesion in many areas - in small French-speaking communities outside of Québec, in fishing villages dotting the East and West Coasts, among native people in the North, and among ethnic groups in all parts of Canada.

Co-operatives involve people in the social and economic decisions affecting their lives, and in the process co-ops train leaders. Considering the huge number of co-op members in Canada - over 10 million people belong to co-operative member families - the democratic involvement of these members in economic and social decision-making may be the greatest contribution that co-operatives make to Canada.

CO-OPERATIVES CONSTITUTE A UNIQUE THIRD SECTOR OF THE ECONOMY THAT IS COST-EFFICIENT, YET DEMOCRATICALLY CONSTITUTED AND HIGHLY RESPONSIVE TO MEMBER NEEDS.

A STRENGTHENED CO-OPERATIVE SECTOR

The co-operative sector can become a greater economic and social force in Canadian national development by strengthening its existing functional capabilities in the areas of capital formation and education. Strengthening these capabilities will be essential to the long-term success of the new co-operative development initiatives that we are proposing, as well as to the growth and prosperity of the more established co-operative sector.

On the whole, co-operatives have been successful at pooling adequate amounts of member capital. Total member equity in the co-operative sector exceeded $2.4 billion in 1981, and co-operatives have generally outperformed the non co-op corporate sector in maintaining adequate levels of equity in their capital structures. Of course, there are several exceptions to this general strength in the co-operative sector - some individual co-operatives have been severely weakened during the last recession, and the credit union and caisse populaire systems in particular require greater levels of equity capital in many areas.

WE URGE CO-OPERATIVES TO CONTINUE TO STRESS THE IMPORTANCE OF MAINTAINING A STRONG CAPITAL BASE - THE FEDERAL GOVERNMENT CAN HELP BY CONSIDERING THE UNIQUE CHARACTERISTICS OF CO-OPERATIVE CAPITAL WHEN FORMULATING GOVERNMENT POLICIES.

There is widespread belief in the co-operative sector that continued growth and strength will demand enhanced capital formation capabilities and that existing approaches may not be sufficient in the future. There is also frustration in the co-operative sector that government programs and policy initiatives, aimed at stimulating private sector investment have ignored the unique nature of capital needs in co-operative enterprise. In trying to address the need for new equity capital and the irrelevance to co-operatives of most government capital incentives, we have proposed a Co-op Registered Savings Plan that would encourage long-term tax-deferred investment in co-operatives on a basis comparable to the treatment of non co-op shares by existing RRSPs. We have also recognized the need for greater research to create new financing vehicles to improve co-operative capital formation capabilities.

Another cornerstone of co-operative growth and development is the co-operative commitment to education. There is not a co-operative in the country of significant size that does not have educational programs - almost always for members, but often also for boards, management and even the general public. Education is crucial to the success of co-operatives because of the democratic nature of co-operative decision-making which requires informed participation. We believe it is critical that commitment to member education be renewed. Moreover, growth of the co-operative sector will also require educating the public at large as to the nature and benefits of economic democracy in co-operative organizations. We have recommended that provincial governments do their part by ensuring that co-operative educational material be integrated into public school curricula.

Co-operatives have an enviable track record of introducing economic and social innovation to Canadian business - automatic tellers and day care in credit unions and caisses populaires, dental insurance in health co-operatives, and computerized farm management services are just a few examples. However, continued co-operative innovation in products,

services, management techniques, and organizational forms will require a strong research effort. The co-operative form of business holds significant potential for addressing some of our most pressing problems such as poor labour/management relations, declining productivity, institutional unresponsiveness , and lack of social and economic innovation. Unfortunately, most business and social research has focused on traditional corporate and public sector organizational forms. Increasingly, co-operators are recognizing that an enhanced research effort will be needed to fulfil the promise of the co-operative form of business, and that this research effort will require a greater commitment from the co-operative sector. We have recommended that the federal government should share the cost of this research with co-operatives, just as it does with research carried out by other groups in society.

CONTINUED GROWTH AND DEVELOPMENT OF THE CO-OPERATIVE SECTOR WILL REQUIRE A RENEWED COMMITMENT TO CO-OPERATIVE EDUCATION AND RESEARCH, LED BY CO-OPERATIVES AND SUPPORTED BY FEDERAL AND PROVINCIAL GOVERNMENTS.

PRIORITIES FOR CO-OPERATIVE DEVELOPMENT

As we have already outlined, the established co-operative sector represents a potent economic force in this country. Nevertheless, virtually all segments of the co-operative sector envision large opportunities for continued development. In agricultural co-operatives, for example, downstream development in food processing, consolidation of upstream investments and export expansion all appear to provide the promise of considerable growth. Financial co-operatives expect to be leaders in the rapid development of integrated financial services. Similar opportunities abound in all other co-operative sectors. We expect that established

co-operatives will have no difficulty in seizing these opportunities, building foundations for continued growth and prosperity. We are more concerned about co-operative development in new and expanding sectors, where considerable human and financial resources will have to be committed to bringing about successful development. And while the list of opportunities for expanded co-operative development could be endless, we have set four specific priorities:

IN SETTING PRIORITIES FOR DEVELOPMENT, WE HAVE FOCUSED ON FOUR AREAS OF NATIONAL CONCERN WHERE CO-OPERATIVES HAVE SIGNIFICANT UNDEVELOPED POTENTIAL: WORKER-OWNED ENTERPRISE, HEALTH SERVICES, FISHERIES AND HOUSING.

Worker co-operatives represent an idea whose time has come. Faced with national concerns about job creation and preservation, productivity and quality of work life, many people are concluding that Canadians must develop alternative organizational forms to successfully meet these challenges. In a recent budget paper the federal government has already recognized the need for greater levels of worker participation in firm profitability and ownership. Co-operators believe that worker co-operatives offer an opportunity to go one step further - to achieve full worker involvement in 100% worker-owned and controlled enterprise.

WE STRONGLY ENDORSE THE DEVELOPMENT OF WORKER CO-OPERATIVES IN CANADA AS A STABLE, DEMOCRATICALLY BASED SOURCE OF CANADIAN EMPLOYMENT AND ECONOMIC DEVELOPMENT.

Worker co-operatives have demonstrated a variety of benefits in practice including higher productivity, better labour/management relations, employment stability, effective regional development, and lower social costs. The Task Force has recommended that a Co-operative Implementation Steering Committee be established to work with government in creating a plan for regional development agencies. These agencies would act as support groups for local worker co-operative development efforts.

Canada also faces challenges in maintaining a first-rate health services delivery system. In the coming era of an aging population and rapidly expanding medical technology, governments will be hard-pressed to allocate the financial resources necessary to support top quality universal health care. Health co-operatives can make a difference. Health co-operative experience in Canada and the U.S. has demonstrated savings of between 10% and 40% on per capita health care costs, while maintaining member satisfaction and effective health maintenance. These savings stem from a preventive approach to health care and a reduced use of costly services such as laboratory testing and hospitalization. The savings are usually passed on to members in the form of enhanced services, such as counselling, free prescriptions, or optical services.

HEALTH SERVICE CO-OPERATIVES HOLD THE PROMISE OF A BETTER SYSTEM OF HEALTH CARE DELIVERY - A LOW COST, HIGH QUALITY, PREVENTIVE APPROACH TO HEALTH CARE.

Although a number of health co-operatives already exist in Canada, we believe much more needs to be done. We have recommended that the co-operative sector join with the federal and provincial governments in encouraging the development of health services co-operatives in Canada through both direct assistance to new co-ops and an improved system of health care financing.

In the fisheries sector, co-operatives represent an often overlooked opportunity to spur regional economic development and to retain leadership and economic decision-making in local communities. With over 80 fisheries co-operatives operating in Canada, and at least 12,000 members, fisheries co-operatives are already a significant force in the industry. And, the co-operative model allows individual fish producers to pool their capital and achieve the marketing clout required to protect their communities and their way of life.

FISHERIES CO-OPERATIVES ARE IDEAL VEHICLES FOR REGIONAL ECONOMIC DEVELOPMENT OF THE FISHERIES INDUSTRY - RETAINING CONTROL AND OWNERSHIP IN LOCAL COMMUNITIES.

Fisheries co-operatives have found ways to survive under perilous economic conditions with little or no government assistance. Even as the fisheries industry remains deeply troubled, there is an enormous opportunity to maximize the benefits to Canadians of our abundant fisheries resources. Co-operatives can be an important part of that process, raising the level of local control and ownership. To get there fisheries co-operatives look to the federal government for equitable treatment and representation in decision-making, a restructured tax policy enhancing capital formation, and a joint venture with established fisheries co-operatives to provide the technical resources required to get new fisheries co-operatives off the ground.

Over the next decade, Canada will also face many challenges in the housing field. Over 500,000 Canadian households already spend more than 30% of their gross income on housing costs. Co-operative housing has proven its effectiveness in supplying community-based, socially integrated housing for moderate and low income Canadians - with 900 co-operatives housing more than 30,000 families across Canada. Co-operatives have broken urban trends of community decay and social disintegration by unleashing the

skills and talents of local community groups through co-operative endeavour. We have recommended that the federal government continue to support housing co-operatives as an effective and cost-efficient means of meeting the continued need for affordable housing in Canada.

AS A PROVEN AND COST-EFFECTIVE MEANS OF MEETING CANADA'S NEED FOR MORE AFFORDABLE HOUSING, CO-OPERATIVE HOUSING DESERVES CONTINUED FEDERAL GOVERNMENT SUPPORT.

A SUPPORTIVE CO-OPERATIVE ENVIRONMENT

Implementation of many of the initiatives outlined in this report will require strengthened co-operative support organizations as well as appropriate government structures. The national organizations for co-operatives, credit unions, and caisses populaires that already exist - such as the Co-operative Union of Canada, the Conseil canadien de la coopération, and the Canadian Co-operative Credit Society - will all be instrumental in implementing the development initiatives proposed in this report. We have recommended a number of actions that will help to strengthen their capabilities. But they will also have to work closely with federal and provincial governments in many areas to reach the ambitious goals for co-operative development targeted in this report. To that end, we urge both levels of government to make the appropriate people and departments available to work with co-operatives on the new initiatives that we have outlined and, more particularly, we support the creation of a co-operative affairs mechanism within the federal government that could assist co-operatives in areas of federal jurisdiction.

The Task Force has tried to consult with as many people and organizations in the co-operative system as was possible in the short time available to complete its work. Meetings were held with over 1,000 co-operators representing nearly 120 organizations from every province. Nevertheless, in a system as large and diverse as the co-operative sector these efforts constitute only the beginning of a long process of continuing consultation. We hope that the recommendations we have proposed will be discussed as widely as possible within the co-operative system - at board meetings and planning session, in the co-operative press, and at conferences and annual meetings. These discussions will help build consensus throughout the system not only around the recommendations but also for the steps necessary to implement them.

As we said at the outset, we are living in difficult and challenging times. Co-operatives cannot solve all the problems facing Canadians, but we think that they can play a unique part in the necessary solutions. To achieve our vision of the potential co-operative contribution to Canadian national development - including economic democracy, leadership training, and community development - will require a great deal of hard work and commitment from co-operators across this country, as well as provincial and federal government support. For our part, we look forward to the challenge.

THE RECOMMENDATIONS

In preparing this report and formulating the final set of recommendations, the Task Force was particularly mindful of its mandate of investigating ways in which the co-operative form of organization could better contribute to meeting the economic and social needs of Canadians. In letters and face-to-face meetings across the country, co-operators responded to this positive mandate with enthusiasm - sensing that there has never been a more appropriate time for co-operatives to get on with the important business of national development. The following recommendations reflect that enthusiasm. Using these recommendations as a framework for future policy development, we believe that co-operatives can make an important difference in the course of Canadian social and economic development.

We have formulated these recommendations with several audiences in mind. In the first place, we are addressing the co-operative system itself and putting forward a set of actions we believe will strengthen and extend that system. In the second place, we are addressing the federal government which helped underwrite the cost of this effort in the interest of finding areas where joint development initiatives with the co-operative sector could be worthwhile. In the third place, we are speaking to provincial governments which have the primary role in governing co-op affairs. To them we have suggested areas where we can work together and several specific provincial responsibilities we would like to see fulfilled - particularly in co-operative education. A final audience we have in mind is the Canadian public at large. To them we hope to suggest the depth and breadth of the co-operative system in Canada and identify the continuing contribution which co-operatives can make to Canadian social and economic development.

STRENGTHENING CAPITAL FORMATION

One of the largest challenges facing the co-operative sector is to continue to mobilize the capital necessary for growth from its millions of member Canadians. The Task Force therefore recommends that:

1. Co-operatives should continue to emphasize the importance of equity in their capital structures by promoting member education and by setting appropriate equity targets.

2. Co-operatives should develop new ways, in addition to retained patronage refunds, of raising equity capital directly from members.

3. The federal government should develop a Co-op Registered Savings Plan that would encourage long-term tax-deferred investment in co-operatives. Provisions of the plan would include: tax deferral provisions similar to existing RRSPs, group administration to minimize cost per member, and the opportunity for members to automatically contribute patronage refunds to such plans.

4. The co-operative sector should continue to explore new investment vehicles and instruments through a focused research effort.

RENEWING THE COMMITMENT TO EDUCATION

A second priority area comparable in importance to capital formation is co-operative education. We believe a renewed commitment to co-operative education will be critical to creating a supportive environment for new co-operative growth and development. The Task Force therefore recommends that:

5. Canadian co-operatives should reaffirm their responsibility for, and renew their commitment to, education of members, boards, management and the general public as to the principles, benefits, and shared characteristics of successful co-operative enterprise.

6. The federal government should assist co-operative educational efforts in the North, remote parts of Atlantic Canada, Francophone communities outside of Québec and other isolated or inaccessible areas by providing joint funding for these efforts through existing co-operative support organizations.

7. Each provincial government should ensure that the economic, social and cultural curricula of primary and secondary schools specifically address the role and contribution of the co-operative sector in Canada.

INCREASING RESEARCH

Increased research efforts will be essential to enhance the co-op commitment to education, as well as providing the necessary groundwork for co-operative development initiatives. Therefore, the Task Force recommends that:

8. The federal government - because of its natural role in funding economic, social and cultural research in Canada - should make available to the co-operative sector substantial ongoing funding for co-operative research.

9. The Anglophone co-operative system, through the Co-operative Union of Canada and the Co-operative College of Canada, should establish a special working committee on co-operative research to evaluate the feasibility and recommend whether a co-operative research endowment fund should be established at the Co-operative College of Canada.

BOOSTING EXPORTS

The Task Force has identified priorities for co-operative development in a number of areas. To specifically address the continued development of established co-ops involved in the production and marketing of Canadian goods and services, the Task Force recommends that:

10. The co-operative system should explore with the federal government ways of assisting co-operatives to boost exports including the possibility of developing a co-operative trading agency, perhaps through a trading company like Canagrex.

FOSTERING WORKER-OWNED CO-OPERATIVES

Out of the many opportunities for co-op expansion, we have identified four priority sectors for new development: worker-owned co-operatives, health services co-operatives, fisheries co-operatives, and housing co-operatives. Worker-owned co-operatives hold the promise of addressing the critical needs for job creation and stable community-based development. To create a favourable environment for their development, the Task Force recommends that:

11. A support system to assist worker co-operatives should be created under the direction of the co-operative system, but in partnership with the federal government and interested provincial governments.

12. An Implementation Steering Committee should be created with representatives from the established co-operative movement and emerging worker co-operatives with a mandate to develop models and guidelines for worker co-operative development, examine the

legislative environment, and formulate a plan for the creation of regionally based worker co-operative development assistance agencies that will specify the respective roles of the co-operative system, federal and provincial governments, and local worker co-op organizing groups.

13. The Government of Canada should endorse worker co-operatives as a priority vehicle for employment generation and make joint funding assistance available to the co-op movement for the staff work of the Worker Co-op Steering Committee, for regional development assistance agencies, and for the creation of a pool of start-up funds or start-up guarantees for individual employee-owned co-operatives.

ENCOURAGING HEATH SERVICES CO-OPERATIVES

The co-operative sector also believes that expansion of health services co-operatives could provide an alternative system of prevention-based, lower cost health care. The Task Force therefore proposes that:

14. The co-operative sector should take the lead in spurring the creation and growth of co-ops in the health sector.

15. As an immediate step towards disseminating the concept and building public, provincial government, federal government, and health care system support for it, the co-operative system should sponsor a nationwide conference on Developing a Co-operative System of Health Care Delivery. The conference should be directed by a co-operative steering committee, coordinated with the federal and provincial health departments, and financially assisted by the federal government.

16. In each province, an independent health co-operative development assistance group should be set up and operating grants should be made available by governments for this purpose. The federal government should assist the provinces in funding the start-up costs involved in helping health co-operatives to get organized and in bridge financing for their initial phase-in periods.

17. Provincial governments should allow health co-operatives to be set up to manage the aggregate per capita health care dollar, including that part going into hospital services, for people who voluntarily enroll in such co-ops. Funds would be allocated to co-ops on the basis of a capitation payment equal to the average per capita health care cost incurred under the existing system for each actuarial class of people grouped by age, sex, etc. Health service co-ops would be allowed to use, in the ways they choose, the surpluses made available by more efficient use of health services by their members.

18. The Canadian health insurance system should be modified to allow for the development of an alternative mode of health services delivery based on the co-operative model. Participation of individual citizens in this alternative co-operative mode would be at their sole discretion, although it would be for a fixed, renewable period (say a year) and, in that context, would entail an exclusive commitment. The general characteristics of the health insurance system: public administration, universality, comprehensiveness and portability would remain as they are now.

ASSISTING FISHERIES CO-OPERATIVES

Fisheries co-ops represent an often overlooked option in efforts to maintain and strengthen regional development of the fisheries industry. The Task Force believes that co-ops are an important part of the solution to the problems facing the fisheries industry and therefore recommends that:

19. The federal government should assure that fisheries co-operatives and private producers receive similar financial treatment, recognizing that co-operatives can be severely injured by unfair competition.

20. The federal government should establish a central division within the Department of Fisheries and Oceans to represent and serve fisheries co-ops, and to enhance their visibility within the Department.

21. Taxation of capital deductions from fisheries co-op member revenues should be deferred until the revenue is received by the members in cash.

22. The federal government should endorse the request of the Maritime fisheries co-ops that a technical resource group, jointly funded by the government and the co-operative fisheries sector, be formed to help the emergence of new fisheries co-ops, provide co-ops with technical management support, and train and educate members. A similar program could be set up in Québec or Québec fishermen could collaborate with the Maritime regional resource group. Funding should also be given to the Newfoundland-Labrador Federation of Co-operatives to make similar assistance available in that province.

EXPANDING HOUSING CO-OPERATIVES

To meet the needs of Canadians for affordable housing, the Task Force recommends that the co-op housing sector be expanded and additional models of co-op housing be created. We specifically recommend that:

23. The federal government should continue to actively support the development of co-operatives in the housing sector in Canada.

24. The effectiveness of the delivery mechanisms of the existing co-operative housing program should be improved following consultation with the co-operative movement.

25. Government programs to support the development of housing co-operatives should ensure that all forms of co-operative organization receive consideration and to this end the co-operative sector should undertake research to provide a better understanding of the potential and applicability of different co-operative housing models.

STRENGTHENING CO-OP SUPPORT ORGANIZATIONS

To sustain these co-operative development initiatives and coordinate support for them within the co-op system, it will be important to strengthen the national co-op support organizations. Thus, the Task Force recommends that:

26. The national support associations of the Canadian co-operative movement should be strengthened to provide better assistance to co-operatives, especially those in new sectors, and to provide a strong national voice for co-operatives in the media and with government. The co-operative system should provide the resources that are necessary to achieve this strengthening.

27. The federal government should continue to recognize that the Conseil canadien de la coopération, together with the provincial Francophone co-op councils, requires special assistance to fulfil its mandate to assist Francophone co-ops and caisses populaires outside Québec in meeting their social and cultural needs, especially in education, training, and government and public relations. The Secretary of State should continue its support for the provision of these services to maintain and develop the unique cultural and social role these co-operatives play in their communities.

28. The federal government should make available financial resources, which will augment those of the caisse populaire system outside of Québec, to study various arrangements by which liquidity management, cheque clearing, credit card, data processing, and other services could be provided to caisses populaires across the country.

29. This Task Force, having fulfiled its mandate, should now be disbanded, but the Task Force model should remain a preferred approach for the co-operative system to address national issues. Moreover, the co-op system should continue to explore and foster joint French/English co-operative initiatives. The other recommendations in this report should provide many opportunities for such initiatives.

IMPROVING GOVERNMENT STRUCTURES

Co-operatives are also concerned that governments foster a climate conducive to co-operative development. To this end, the Task Force recommends that:

30. In order to simplify and strengthen co-operative relations with government, the federal government should create a co-operative affairs mechanism within government that could assist co-operatives in dealing with policy areas under federal jurisdiction. The federal government should consider a Minister of State for Co-operatives - with a small supporting secretariat - as a way of accomplishing this objective. Once this mechanism is in place, the Anglophone and Francophone co-operative systems should both ensure that appropriate high level co-operative consultation is available to the government on policy matters.

31. The Government of Canada should commit itself to appointing more co-operative leaders to major commissions and policy-making bodies advising the government.

32. The Department of Regional and Industrial Expansion and the Department of Employment and Immigration should each ensure that co-operatives are receiving a fair allocation of development funds and other assistance. In those cases where regional boards are administering funds, co-op representatives should be on those boards.

CHAPTER 1

A VISION FOR CO-OPERATIVES* IN CANADA

The word "vision" is out of vogue these days in political and economic discussions - one of the many verbal casualties of the political cynicism that set in during the seventies. But Canada faces many challenges in the years ahead to which there are no easy or painless solutions, and we believe that the nation needs a plan, or "vision", to help us through these difficult times. Co-operators across this country believe that they can help to shape that necessary national vision by offering Canadians a picture of a strong co-operative alternative to the traditional private and public sector responses to the problems and opportunities facing our country.

The co-operative alternative represents a vision of how economic democracy could address some of the central challenges facing Canada and how it could enrich the lives of millions of Canadians. It is a vision of a major role for co-operatives in national development - fostering a new generation of leaders, responding to emerging opportunities, and taking a leading role in spurring meaningful regional development.

Specifically, co-operatives have a vision of Canada's future in which people are more involved in the decisions that affect their lives, in which they take greater responsibility for their well-being, and at the same time work together for mutual benefit. We believe economic growth must occur in

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*Throughout this report we will use the word co-operative to refer to all co-operatives including credit unions and caisses populaires.

a manner that takes account of the social, regional, and other values of Canadians, and that this kind of growth will occur only when economic and social power are rooted in communities and in responsive local organizations.

Developing a national vision is not easy - achieving the vision will be even more difficult. But that should not deter us from the attempt. Visions evolve over time until they "fit" - until they are right. We will present a vision for co-operatives in Canada, and some recommendations that can help bring that vision closer to reality.

THE CENTRAL CHALLENGE FACING CANADA

In recent years, many problems have surfaced that represent long-term challenges to Canada. We must cope with the pressures for economic growth and job creation while controlling inflation and interest rates, and also adjusting to rapid technological change. Socially, we need to find ways to provide quality health and social services at reasonable cost. We must improve our educational system to the point where we feel confident that it is capable of taking us into the 21st century. We need to develop institutions that respond to the unique needs of minority language and ethnic groups across the country. Underlying all of these challenges, however, is a common theme - a central challenge. As a country, we have the resources to meet and solve these problems, but our political and economic institutions may not be capable of mobilizing those resources.

If Canada is to adjust smoothly to the fundamental restructuring of our economy that is already taking place, people will need to feel confident that new technologies and the new industries they bring will improve their lives, and that various groups and regions within Canada will not be left behind. Unfortunately, many people do not trust our existing business and government institutions to protect the interests of those who may lose out in the coming restructuring. And unless people believe they have a voice in determining their future, they will not actively participate in solving our problems and in fact will likely work to block solutions that they perceive leave them out.

Thus, the central challenge facing Canada is how to make our institutions more responsive and participatory. We must involve people more fully in the social and economic decisions affecting themselves, their families and their communities. Otherwise, any potential solutions to our country's problems will be inadequate, lacking the broad public support necessary for successful implementation. In short, we are speaking of the need for economic democracy - of the right of people to influence and ultimately control the important economic decisions affecting their lives.

THE CO-OPERATIVE VISION OF ECONOMIC DEMOCRACY

Co-ops are different from other more traditional forms of private business organization. Co-ops operate on the democratic basis of one member/one vote, regardless of the amount of member capital investment - a difference which has a striking impact on the co-operative decision-making process. As democratic and voluntary organizations, co-operatives involve their members in decision-making at many levels, from membership and committee meetings right up to the election of boards of directors. Owned and controlled by local groups of individual stakeholders, co-ops can respond to community needs without appeal to distant absentee capital investors. And because of their democratic make-up, co-ops are successful in involving economically disenfranchised groups as well as cultural and linguistic minorities in business decision-making.

The co-operative vision of economic democracy begins with a commitment to meaningful member involvement. There are, for example, over 1,500 autonomous caisses populaires in the province of Québec. Each caisse elects its own Board of Directors to set policies that reflect the specific needs of the members and their community. In addition, the caisse populaire system in Québec contains thousands of members who participate in policy committees and conferences throughout the province.

Even in large co-operatives like the Wheat Pools, democracy still prevails. Because of their size and the difficulty of getting everyone in a single room, the pools use a delegate election process to select representatives for their annual meetings. The Saskatchewan Wheat Pool,

for example, has 70,000 members who elect 145 delegates on a regional basis. These delegates assemble once a year for a two-week long annual meeting during which they grill management and their own Board of Directors on everything from financing to elevator closings. These annual meetings are chaired by elected delegates. The annual meeting can and usually does pass resolutions requesting management to investigate new business opportunities or to re-evaluate decisions already made. The Alberta and Manitoba Pools have similar annual meetings.

Obviously, the co-operative vision of economic democracy serves to enhance local control over businesses that are crucial to community survival. Further examples abound in the fisheries industry in Atlantic Canada. There, the harvest and processing of fish products often represents the entire economic base of small communities. In many of these small fishing villages dotting the East Coast, fishermen have formed co-operatives in efforts to secure the future of their communities. In an industry already fraught with risk and uncertainty, they are uncomfortable leaving economic decisions of immense importance in their lives to distant investor interests. Fifty such co-ops already exist in Atlantic Canada, and further expansion is limited only by the shortage of technical and financial resources necessary to get new groups off the ground.

Finally, the co-op vision of economic democracy provides for the involvement of economically disenfranchised and minority groups in business decision-making. For example, Vancouver City Savings Credit Union - among the forty largest financial institutions in the country with assets approaching $1.3 billion - is the only major business we know of in recent Canadian history that has had a majority of women on its Board of Directors, including a female chairperson. Many Indian and Inuit groups have formed co-operative businesses in fisheries and craft production industries - using co-operation as a means of achieving some degree of corporate power while maintaining ownership and control in the hands of native peoples. Co-op housing has been used by many ethnic communities to arrest urban trends of community decay and social disintegration. In a similar vein, a well developed caisse populaire system has allowed Francophones outside of Québec to maintain control over their financial affairs and to participate in

and direct the development of their communities in the midst of predominantly Anglophone regions.

These examples serve to illustrate the co-op vision of economic democracy. And we believe that this vision makes co-ops uniquely well-suited to playing a major role in addressing the problems and opportunities facing Canada in the 1980s and to meeting the country's central challenge of improving institutional responsiveness.

THE UNIQUE POTENTIAL OF CO-OPS IN NATIONAL DEVELOPMENT

If co-operatives were to provide a means to improve the democratic responsiveness of our economy but at the same time were economically inefficient, they certainly would not be an attractive alternative to our current institutional framework. Fortunately, quite the opposite is true. The fundamental purpose of a co-op is usually to meet the economic needs of its members. With high levels of participation and commitment from member-owners, co-ops tend to be very efficient organizations.

Pairing the democratic responsiveness and economic efficiency that characterize co-operative business, we believe that co-ops can play a key role in Canada's national development. As serious as the problems are that face Canada, they also open many opportunities for new development. We have identified four such areas where co-ops can make a difference. Worker-owned co-operative businesses offer a direct means of meeting the often desperate need of many Canadians for jobs and a sense of control in their lives. The rapidly increasing costs of health care systems are straining government finances; co-operative health care delivery systems provide an attractive and affordable solution. Fisheries co-ops are an overlooked, yet critical part of the solution to problems facing the fisheries industry. And in meeting the demand for affordable housing in this country, the co-operative model has proven to be a successful alternative and could be expanded to the benefit of many Canadians. We will address these opportunities for co-operative development in detail in Chapter 5.

Certainly, there are many other areas where co-ops could also play a key role in economic development.

Independent of any specific business opportunities, we also believe that co-ops can play an important role in regional development. Despite spending vast sums of money to balance economic development, Canada has been unable to solve the problem of regional underdevelopment. Co-operatives provide a means to counter these imbalances by allowing communities in depressed regions the possibility of locally generated development. Co-operatives are a means by which small remote communities can remain viable. In many towns in northern British Columbia, Alberta, and Saskatchewan a credit union provides the only financial services available. In Québec, the Desjardins caisse populaire system serves 500 parishes, villages, municipalities, and towns that have not attracted any other financial institutions. These communities have markets too small to be of interest to a bank, but credit unions and caisses populaires, which are not concerned with maximizing profits, find they are able to cover their costs and remain viable; in the process, they help keep the communities alive.

Co-operative development requires strong local leadership and member commitment, but it gives people a financial and democratic stake in their businesses that cannot be legislated or imposed through centrally administered programs. And regional development will only succeed when the local people are involved and can take responsibility for their own well-being. Co-operatives make that possible.

ACHIEVING A VISION FOR CO-OPERATIVES IN CANADA

Over the past three months, the Task Force on Co-operative Development has contacted over 1,000 co-operators in all provinces and regions of the country. The diversity encountered in this process reaffirmed our sense of the depth and breadth of the Canadian co-operative sector. But it was also obvious that co-operators were profoundly united in their support of fundamental co-op principles. While focusing this vision on

specific development proposals is not an easy process, co-operators share a basic belief in a co-operative form of economic democracy as an appropriate part of Canada's national development effort.

To achieve this vision, co-operatives are setting formidable challenges for themselves in developing the functional capabilities of the co-operative sector. A strengthened commitment to education is seen as a key ingredient in this effort - not just to raise the overall level of knowledge of co-operators and the general public, but also to foster leadership. The decentralized, democratic structure of co-operatives demands many leaders. To achieve their vision of co-operatives in Canada, co-operators are also committed to strengthening co-op relations with government and other institutions, and to fortifying the capacity to create and renew co-op capital.

As we said at the outset, achieving a vision for co-operatives in Canada will not be easy. The problems that we face are complicated and our resources are limited. But the opportunities are also great and worth the effort. As co-operators, we look forward to the challenge.

CHAPTER 2

STATE OF THE CO-OP MOVEMENT

For many co-operatives, the last couple of years have been difficult ones, as they have also been for the overall Canadian economy. Co-operators and all Canadians have had to respond to the economic and social challenges raised by declining national production, heightened unemployment, and staggering interest rates. But co-operators are not unaccustomed to adversity. Many of today's established co-op organizations were born during the worst times of the Great Depression as a means of local community self-help. That spirit of co-operation still exists in the co-op movement - allowing co-operatives to rally the strength of their members to successfully weather the most recent economic storm.

Strangely, adversity is often the key to long-term growth. In banding together to meet existing challenges, people discover new opportunities for personal and economic growth. Today may be one of those times. Certainly, this Task Force's mandate to explore new opportunities for co-operative development was met with enthusiasm in submissions and face-to-face meetings with co-operators across the country.

This chapter assesses the state of the co-op movement in Canada - in both economic and social terms, for co-ops serve both economic and social needs of individual Canadians. But first, we think it is important to note that co-ops are a distinct and unique sector of the Canadian economy, equal to privately-owned business and the public sector in deserving the recognition and attention of the nation's decision makers. And perhaps the best way to document this uniqueness and relevance of the co-operative sector is to review the principles of co-operative organization in practice.

THE CO-OPERATIVE PRINCIPLES

Co-operatives share a set of principles that sets them apart from other organizational forms. As adopted by the International Co-operative Alliance in 1966, those six basic principles are:

1. Open and Voluntary Membership
2. Democratic Control
3. Limited Return on Shares
4. Return of Surplus to Members
5. Co-operative Education
6. Co-operation Among Co-operatives

Not all co-operatives subscribe to each of the above principles. Ethnic and religious co-operatives, for example, are based on a restricted membership. But, by and large, most Canadian co-operatives share these basic principles.

Open and Voluntary Membership

Membership in Canadian co-ops is always voluntary and usually open to anyone who can make use of the co-op's services. The movement reported a total of over 12.6 million memberships in 1981, and a government-commissioned survey of adult Canadians has confirmed that 43% of Canada's adult population belongs to at least one co-operative organization.

Democratic Control

The co-op principle of one member/one vote, regardless of the level of share capital invested, establishes co-ops as the most democratic economic organizations participating in Canada's market economy. All co-op members are eligible to participate in the decision-making process, through voluntary committees and meetings, as well as through the election of a Board of Directors. The principle of democratic control is best illustrated by examples drawn from the co-operative system.

There are, for example, over 3,400 credit unions and caisses populaires in Canada, each one having a Board of Directors elected by local membership. The local Board chooses a management team, determines the deployment of assets, sets general policy, and elects representatives to provincial and national central credit union and caisse populaire organizations. All told, it has been estimated that over 50,000 Canadians serve on boards and in leadership positions in the credit union and caisse populaire systems. This compares with the maybe 100 top-level directors and managers who might be controlling the assets and setting policy for one of the Canadian chartered banks.

Similar examples of democratic control exist throughout the co-operative sector. Federated Co-operatives, a wholesale co-operative owned by over 350 local retail co-operatives in Western Canada, has an annual general meeting of nearly 500 delegates in addition to six regional conferences in the fall, and nearly 20 district meetings in the spring. Co-op Atlantic, a consumer co-op federation of almost 200 autonomous member organizations, schedules 12 zone conferences across the four Atlantic provinces as well as almost a full month of board meetings spread throughout the year. As these examples demonstrate, control usually means more than mere voting for directors - it includes opportunities for participation in regional conferences, standing and special committees, and other policy-setting activities.

Limited Return On Shares

Co-operators believe that share capital should receive a limited rate of return, if any. People join co-operatives to take advantage of the co-op's enhanced services and cost efficiencies and to participate in the economic decisions affecting their lives. Members then receive a return on their investment by using the co-op - benefitting from the services, competitive prices, return on patronage, and social involvement that characterize co-op business. When members can no longer benefit from co-op services, their share capital investment is redeemed. Co-ops are researching and experimenting with new forms of co-op capital instruments including capital gain and dividend mechanisms, but return on capital will continue to be set at limited and reasonable rates.

Return of Surplus to Members

In keeping with their democratic nature, co-ops have found alternatives to the share capital/dividend model for returning operational surpluses to owner members. One alternative is to enhance the common services provided to members. Vancouver City Savings Credit Union is introducing day care facilities in most of its branches. Another alternative is to use surplus funds to develop new business opportunities that will meet member needs - such as the $55 million investment by the Western Canadian pools in the construction of new grain-handling port facilities in Prince Rupert. A third alternative that most co-ops utilize is the patronage refund - a distribution of surplus to members in proportion to their transactions with the co-operative. In producer marketing co-operatives, patronage refunds are paid in proportion to services used: for grain farmers in proportion to bushels shipped through the co-op, for fishermen relative to tonnage of fish delivered to the co-op, and for dairy producers as a percentage of the value of milk and dairy products marketed through the co-op. Consumer co-ops such as the food and hardware co-ops in the Federated Co-operative system pay patronage refunds to local member consumers in proportion to their purchases at the co-operative. Farm

supply co-operatives, such as the United Farmers of Alberta, lower the net cost of member purchases through patronage refunds.

Co-operative Education

Co-operators believe that education is fundamental to the growth and development of successful co-operatives, and for very good reason. Members, delegates, directors and managers must know their business and understand the democratic way it is run. Democracy functions best on the basis of informed choice.

Co-ops have displayed their high regard for the importance of education by building one of the largest non-public educational systems in the country. All co-operatives of any size in Canada have established educational programs for their members. Courses are available which improve members' abilities to use co-op services or to evaluate the co-op's business performance. Pamphlets describe co-ops, their businesses and the way they are governed. Advisory meetings are used to share information and ideas with members on immediate problems. Virtually all co-operatives publish newsletters to keep members informed of the co-op's activities. Co-operatives have also established formal educational institutions including the Co-operative College of Canada, the Institut de coopération Acadien in New Brunswick, as well as a training institute for the credit union system in English Canada.

Co-operation Among Co-operatives

Co-op organizations across Canada and throughout the world share a philosophy of co-operation in achieving the economic and social objectives of their members and their communities. This shared philosophy extends naturally to a commitment to co-operation among co-ops on a regional, national, and international basis. This commitment often acts as a stabilizing factor within the co-operative sector. The credit union and caisse populaire systems have often stepped in with financial assistance and business know-how to keep important local or regional co-op organizations afloat.

At the international level, Canadian co-operatives have formed the Co-operative Development Foundation (CDF) to assist in the development and strengthening of co-operative enterprise in third world nations. Canadian co-ops provide funding, staff support, and advice in support of CDF's activities. In Québec, the Desjardins caisse populaire system has established the Société de développement international Desjardins to meet similar objectives.

But when all is said and done, co-ops are formed, survive and prosper because they meet the needs of individual Canadians. In an economic sense, co-ops are efficient cost-minimizing organizations that compete effectively in Canada's market economy. To their credit, however, co-ops are also able to meet many social needs of Canadians - through education, the provision of marginally economic services, and the democratic involvement of members.

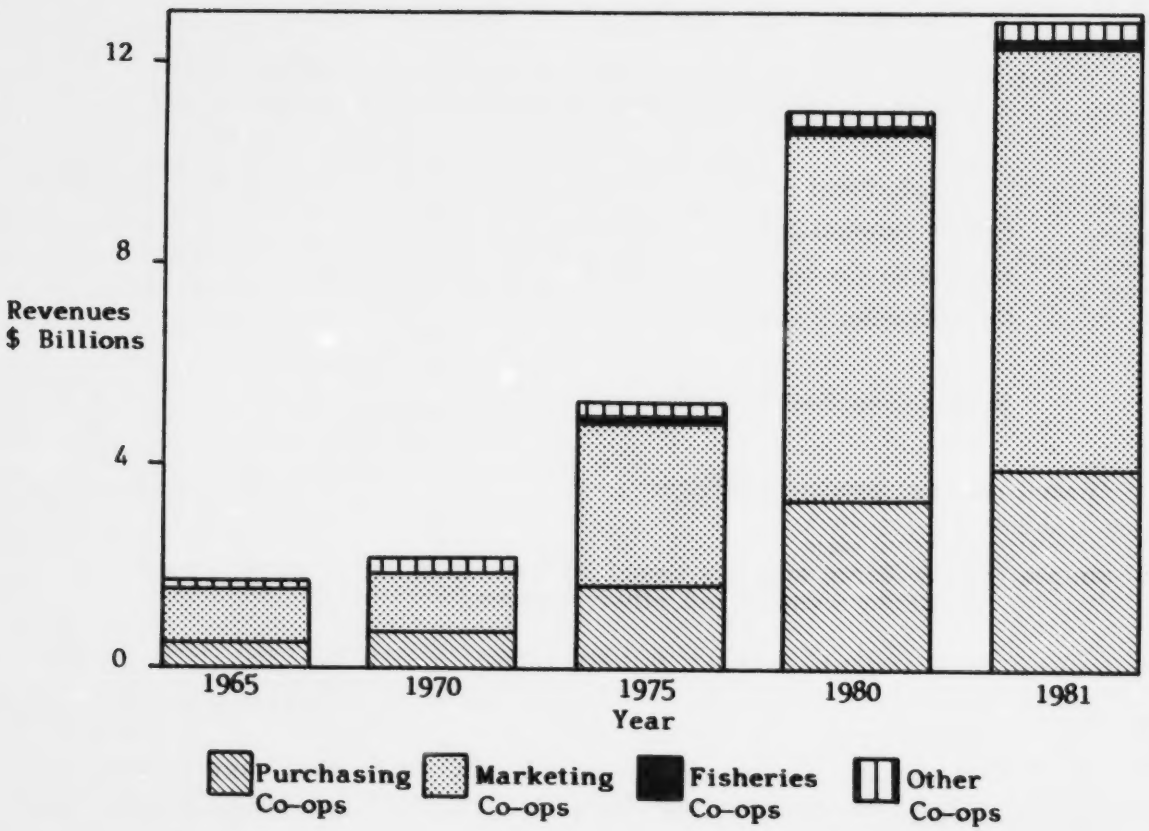
CO-OPERATIVES: A POTENT ECONOMIC FORCE

The co-operative sector represents a potent economic force in Canada. Co-op organizations play significant roles in all regions of the country and in many industries that are critically important to Canada. Co-ops are also helping Canada to meet the challenge of creating long-term meaningful employment.

Revenues of Canada's non-financial co-operative sector reached almost $13 billion in 1981. While a large share of these revenues came from agricultural marketing co-ops - most notably in grain and dairy products - signficant revenues were also reported by co-ops involved in wholesaling and retailing (together called purchasing co-ops), fisheries, and other types of business.

Figure 2.1

Revenues of Non-Financial
Co-operatives, 1965 - 1981



Source: Agriculture Canada data.

Inclusion of the financial co-operative system further illustrates the economic importance of co-operatives in the Canadian economy. Aggregated as a total sector including financial co-ops, Canadian co-operatives recorded total revenues of $15.2 billion in 1980.

Table 2.1

Co-op Sector Revenues, 1980

	$ Billions
Non-Financial Co-ops	
Marketing (e.g., wheat pools, dairy co-ops)	7.2
Purchasing (e.g., farm supply and consumer co-ops)	3.4
Services (e.g., day care and health services)	.2
Fisheries	.1
Production (e.g., forestry and machinery co-ops)	.1
Sub-Total	11.0
Credit Unions/Caisses Populaires	3.3
Insurance Co-ops*	.8
Co-operative Trust Companies	.1
Total Co-op Sector Revenues	15.2

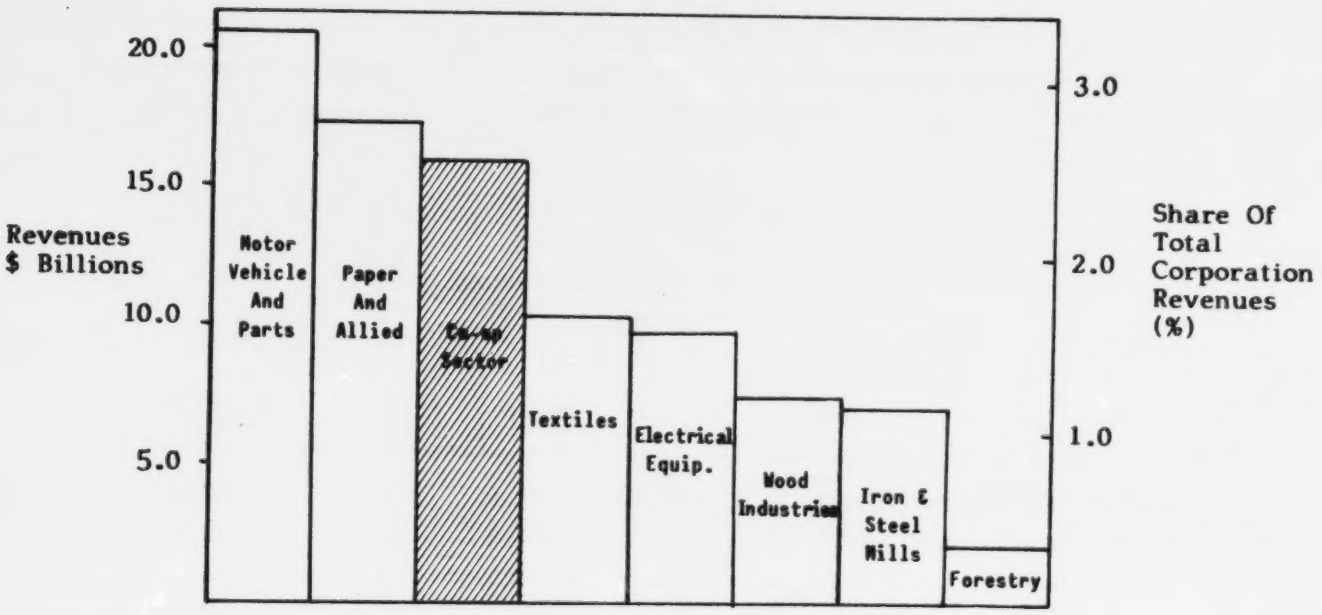
*Based on "net premiums written".

Source: Task Force analysis based on data from Agriculture Canada, Statistics Canada and other sources.

Looking at co-operative business in this way, aggregated as a separate sector, yields some very interesting comparisons with other segments of the Canadian economy. To begin with, co-ops as a sector represent 2.4% of total Canadian corporate revenues. Co-op revenues of $15.2 billion in 1980 were only slightly less than the combined revenues of Canada's paper and allied industries. And, in fact, co-op revenues exceeded those of many of Canada's traditionally powerful industries - such as textiles, wood industries, iron and steel mills, and forestry.

Figure 2.2

Total Corporate Revenues
Co-op Sector Vs. Selected Industries, 1980



Source: Task Force analysis based on data from Statistics Canada, Agriculture Canada and other sources.

Co-ops have a significant economic presence in all regions of the country - there are at least 19 co-operative businesses among Canada's 500 largest corporations. In Eastern Canada, co-ops have been successful in forging a large consumer and farm supply co-op system. Co-op Atlantic, Co-op Fédérée du Québec and United Co-operatives of Ontario have each developed a strong presence in their regional economies. Co-ops in Eastern Canada have also been successful in the dairy products sector - Agropur in Québec has become the largest dairy enterprise in Canada and several other dairies throughout Central and Atlantic Canada are listed among the 500 largest industrial corporations in the country.

Co-op economic power has been particularly strong in Western Canada. Agricultural marketing co-ops are an extremely powerful component of the Western economy, with each of the Western wheat pools - Saskatchewan, Alberta and Manitoba - as well as United Grain Growers listed among Canada's largest corporations in the "Financial Post 200". The same can be said of Federated Co-operatives, the co-op retailing and wholesaling system with a strong presence across the Western provinces. On the West Coast, fisheries co-ops are also very important - the sales of Prince Rupert Fishermen's Co-op exceeded $50 million in 1983.

Table 2.2

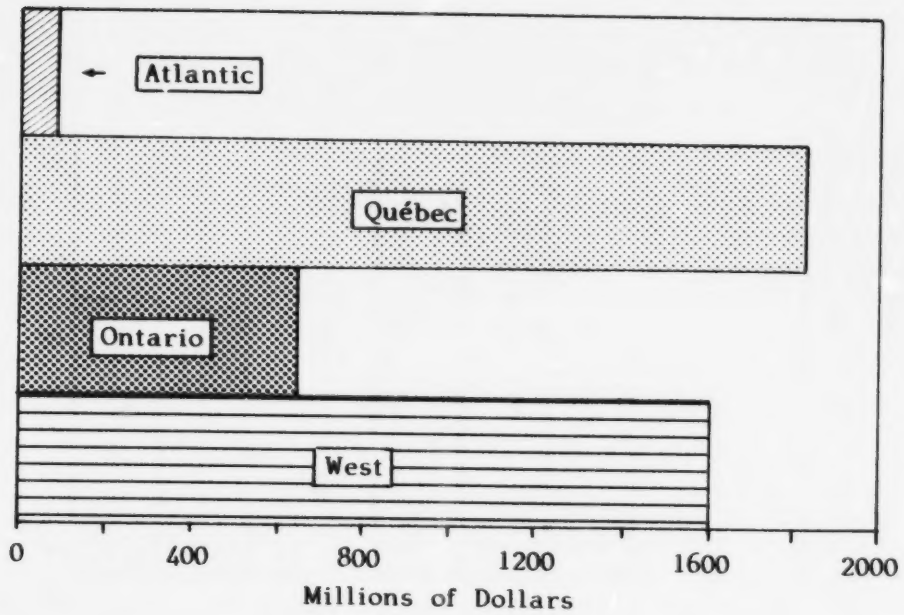
Non-Financial Co-op Revenues, 1981
($ Millions)

	West	Ontario	Québec	Atlantic	Canada
Marketing Co-ops	6,609.2	244.2	1,164.9	284.7	8,303.0
Purchasing Co-ops	2,247.9	619.1	862.3	282.0	4,011.3
Other Co-ops	329.5	28.2	99.5	77.8	535.0
Total Non-Financial Co-op Revenues	9,186.6	891.5	2,126.7	644.5	12,849.3

On the financial side of the co-operative sector, credit unions and caisses populaires have developed a strong presence across the country. In Québec, the Desjardins caisse populaire system has blanketed the province, attracting over five million memberships and assets of $14.8 billion in 1981. The number of branches in the Desjardins caisse populaire system exceeds the total number of branches of Canada's chartered banks in the province. Francophone federations of caisses populaires in New Brunswick, Ontario and Manitoba have almost 400,000 additional memberships and assets of approximately $1 billion. On the West Coast, Vancouver City Savings Credit Union, with assets approaching $1.3 billion, is among the 40 largest financial institutions in Canada.

Figure 2.3

Credit Union and Caisse Populaire Revenues, 1981

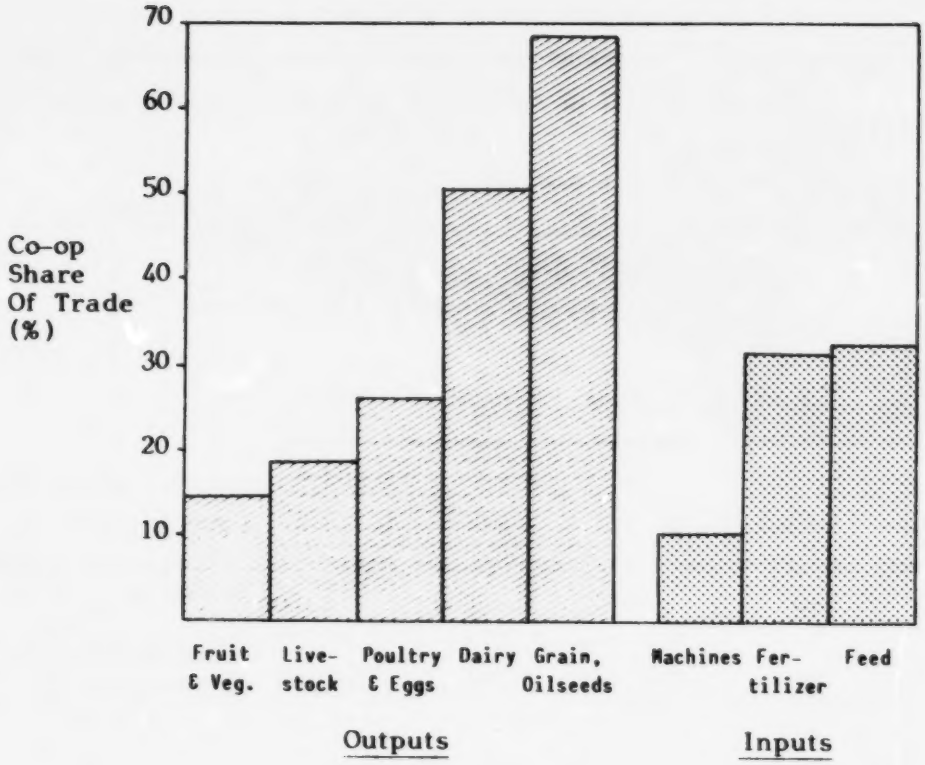


Source: Statistics Canada data.

Besides the strong position of co-operatives as an aggregated sector in the national and in several regional economies, co-ops have also had a significant impact within many business segments of the Canadian economy. This is perhaps most evident in the area of agricultural trade, where co-ops have established majority positions in the grain and dairy trade, and very important positions in several other agricultural trading segments.

Figure 2.4

Estimates of Co-op Share of Agricultural Trade, 1981

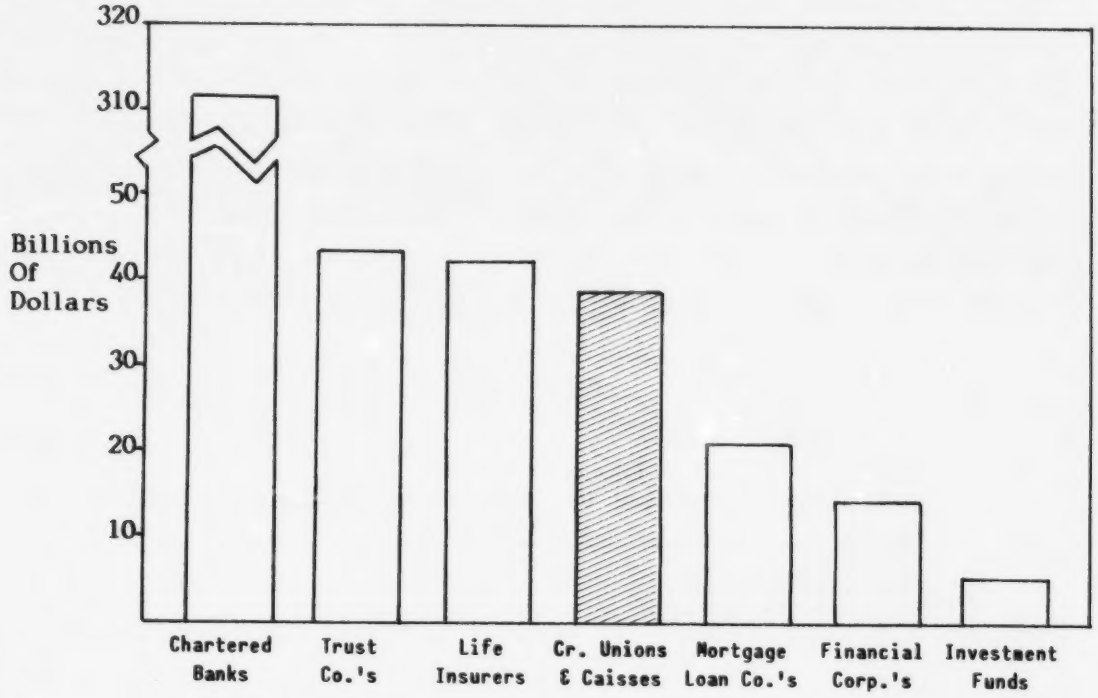


Source: Agriculture Canada estimates

Financial co-ops have carved out important niches in their Canadian markets as well. In 1982, co-op insurance companies held 6.7% of all life insurance in force in Canada and wrote policies representing 8.1% of all new property, auto and casualty insurance. In 1983 The Co-operators became the largest property and casualty insurance company in Canada. The credit union and caisse populaire systems have been equally successful, garnering over 9% of the total assets in Canadian financial institutions by 1981. In Québec, for example, the Desjardins caisse populaire system presently holds approximately 37% of individual savings deposits, 32% of consumer loans, 44% of mortgage loans, 15% of commercial and industrial loans, and 44% of agricultural loans.

Figure 2.5

Total Assets of Selected
Financial Institutions, 1981



Source: Statistics Canada data.

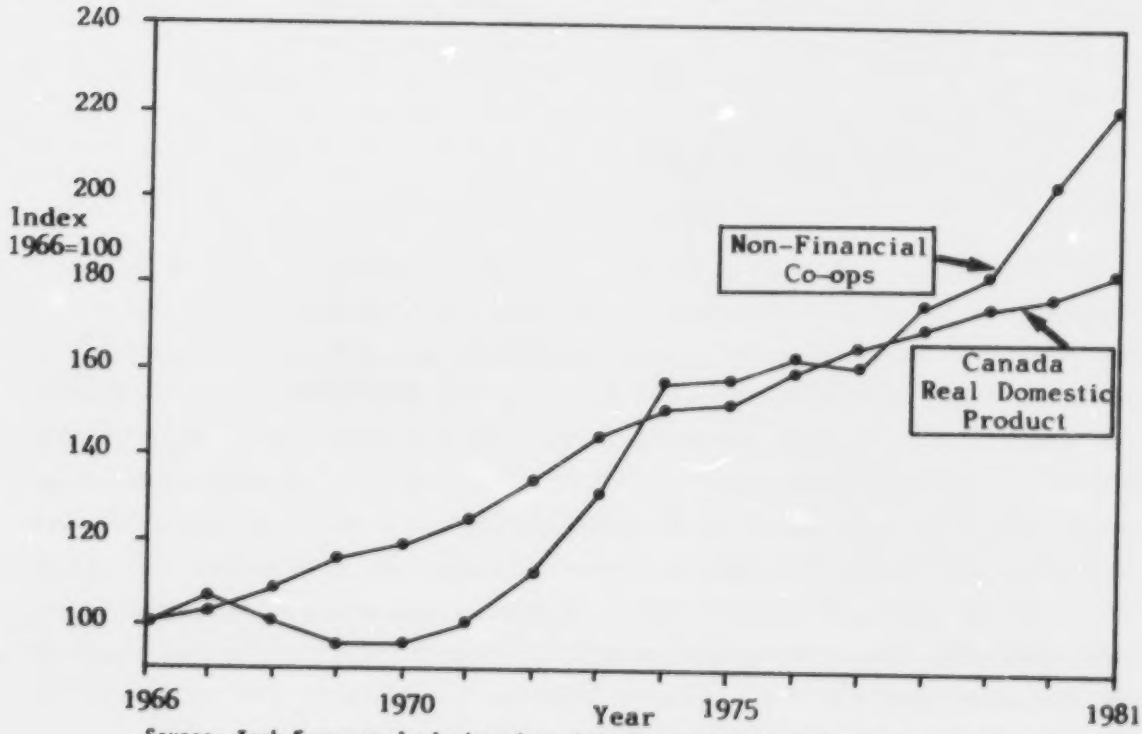
Finally, co-ops have proven to be a potent economic force in terms of their ability to create meaningful employment for Canadians in all regions of the country. While co-op employment statistics are difficult to generate, we estimate that at least 30,000 Canadians are employed in Canada's non-financial co-operative sector, and the actual number may be significantly higher. We also know that there is a substantially greater number of Canadians working in the financial co-operative system - we estimate over 40,000 people. In both cases, these estimates do not include the many thousands of part-time and volunteer employees, directors and delegates that help make the co-operative sector such a vibrant and participative part of the Canadian economy.

CO-OPERATIVE GROWTH

As highlighted earlier in this chapter, non-financial co-ops have displayed significant growth in revenues over the past two decades, rising from $1.5 billion in 1961 to almost $13 billion in 1981. Revenue growth in financial co-ops has been even more dramatic. Credit union and caisse populaire revenues have increased more than 20 times over between 1966 and 1981 - from $187 million to $4.1 billion. In both cases, however, it is important to eliminate growth due to inflation if we are to get a more accurate picture of co-op sector growth. Adjusting for inflation, we find that non-financial co-ops have continued to expand even in real terms, generally keeping pace with growth in the overall Canadian economy.

Figure 2.6

Economic Growth
Real Domestic Product Vs. Real Co-op Revenue Growth
1966 -1981

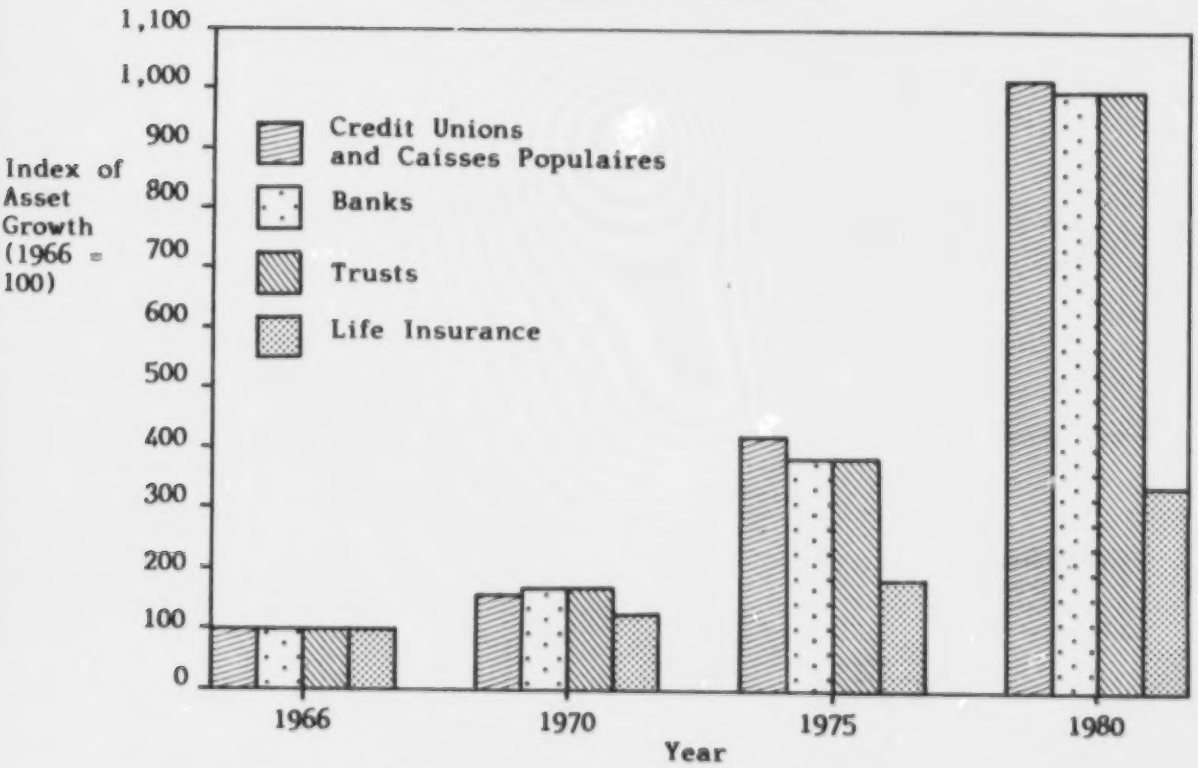


Source: Task Force analysis based on data from Agriculture Canada and Statistics Canada.

Assessing real growth of credit unions and caisses populaires over the same period is more difficult since there is no straightforward way to deflate credit union and caisse populaire revenues or to measure their changes in value added. We do know, however, that value added for the overall financial services industry has grown faster than the Canadian economy since 1966. And over the same period, credit union and caisse populaire asset growth has been somewhat higher than asset growth for banks or trust companies, and much higher than life insurers' asset growth.

Figure 2.7

Financial Institutions
A Comparison of Asset Growth
1966 - 1980



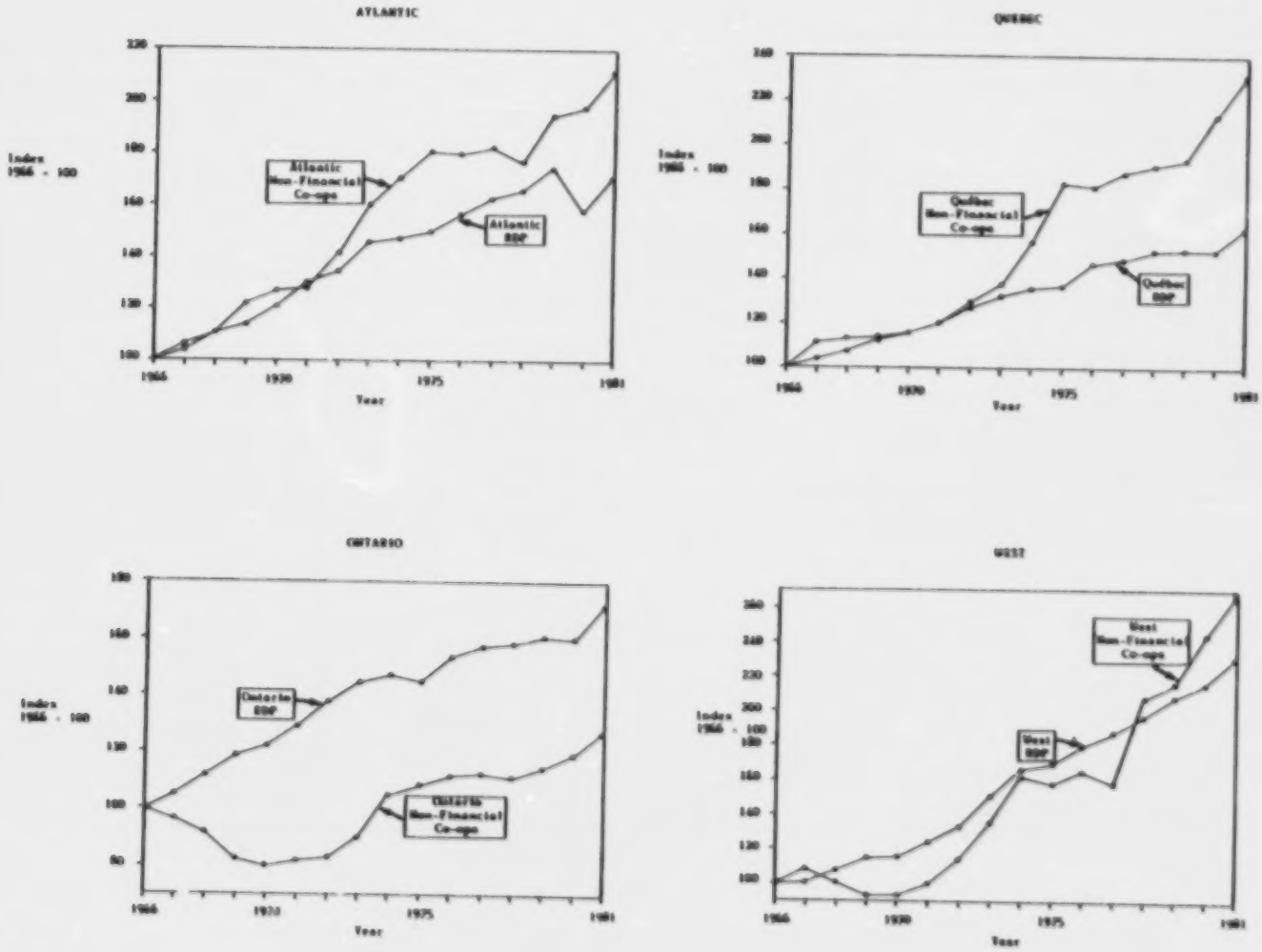
Source: Task Force analysis based on Statistics Canada data.

Taking a closer look at regional growth in the non-financial co-operative sector, it appears that non-financial co-op revenue growth has been most sluggish in Ontario. While co-ops in each region have generally matched or exceeded the growth of the regional economies of Québec,

Atlantic Canada and the West, Ontario's non-financial co-ops have fallen far short of the growth exhibited by the Ontario economy over the last twenty years.

Figure 2.8

Regional Economic Growth
Real Domestic Product (RDP) Vs. Real Non-Financial
Co-op Revenue Growth, 1966 - 1981



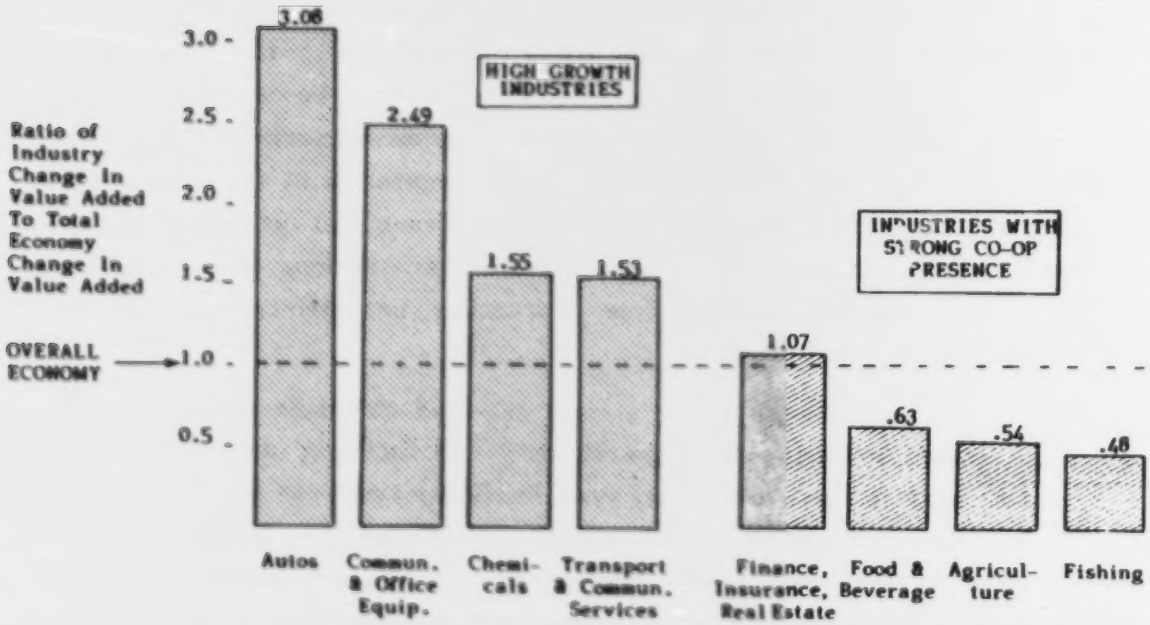
Source: Task Force analysis based on data from Statistics Canada and Agriculture Canada.

A large share of overall economic growth in Canada - and more particularly in Ontario - has been driven by growth in service industries. Over the last twenty years, services have grown from 53% of Canada's economy to 61%. By contrast, revenues of co-operatives in the service sector represented only 29% of total co-op sector revenues in 1980 - and most of this service revenue came from the financial co-operative system. Less than 2% of total co-op sector revenues came from non-financial services.

By and large, the co-operative sector has been strongest in slower growing segments of the Canadian economy - with the notable exception of financial services. Manufacturing sectors such as autos, communications and office equipment, and chemicals have grown very rapidly, as have many services. Many sectors with a strong co-op presence - such as agriculture, food and beverage, and fisheries - have grown much more slowly.

Figure 2.9

Change in Value Added
High Growth Industries Vs. Industries with
Strong Co-op Presence, 1965 - 1981



Source: Task Force analysis based on Statistics Canada data.

The challenge to Canadian co-operators seems clear. The Canadian economy is changing, and so are the needs of Canadians. If co-operation is to continue to be a potent force in the nation's economy - and in the lives of Canadians - co-operators must find ways to adapt the co-operative model to meet those changing needs. We believe that co-operators can meet this challenge, and we will talk more in later chapters about the many opportunities for co-operative development. But first, we want to also document the potent social impact of co-operation in Canada.

CO-OPERATIVES: A POTENT SOCIAL FORCE

The co-operative sector represents a potent social force in Canada. Dedicated to serving member needs, co-ops provide many socially needed but marginally economic services. Firmly committed to their local areas, co-ops play pivotal roles in co-ordinating community responses to economic shocks. Sensitive to the unique social problems of minority groups, co-op businesses have helped to preserve language and cultural bonds - most notably in the many small French-language communities outside of Québec. But perhaps most importantly, co-ops by their very nature involve people in the economic and social decisions affecting their lives. This participation enhances member understanding of democratic principles, important to all Canadians. It also fosters leadership. There are not many places in Canada where people can get experience as local leaders. In the co-operative system, there are well over 6,000 Boards of Directors, each with its own chairperson. And the development of a new generation of Canadian leaders accustomed to dealing with important economic issues and conflicting regional interests may be one of the most important contributions that co-ops can make to this country as we face increasing uncertainty and economic turbulence in the years ahead.

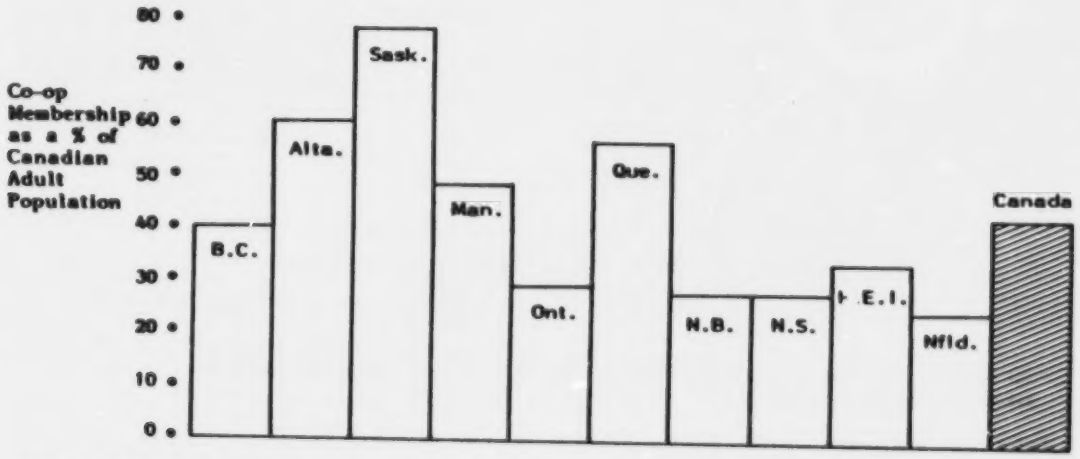
Co-operative Membership

To the uninitiated, the number of Canadians involved in the co-operative system must seem staggering. There are probably over 10 million Canadians in co-op families across this country. In a public opinion

survey of over 2,000 Canadians commissioned by the Canadian Unity Information Office in 1983 to learn more about co-operatives and their members, almost one in two adult Canadians confirmed that they belonged to at least one co-operative organization.

Figure 2.10

Proportion of Population
Belonging to at Least One Co-op, 1983

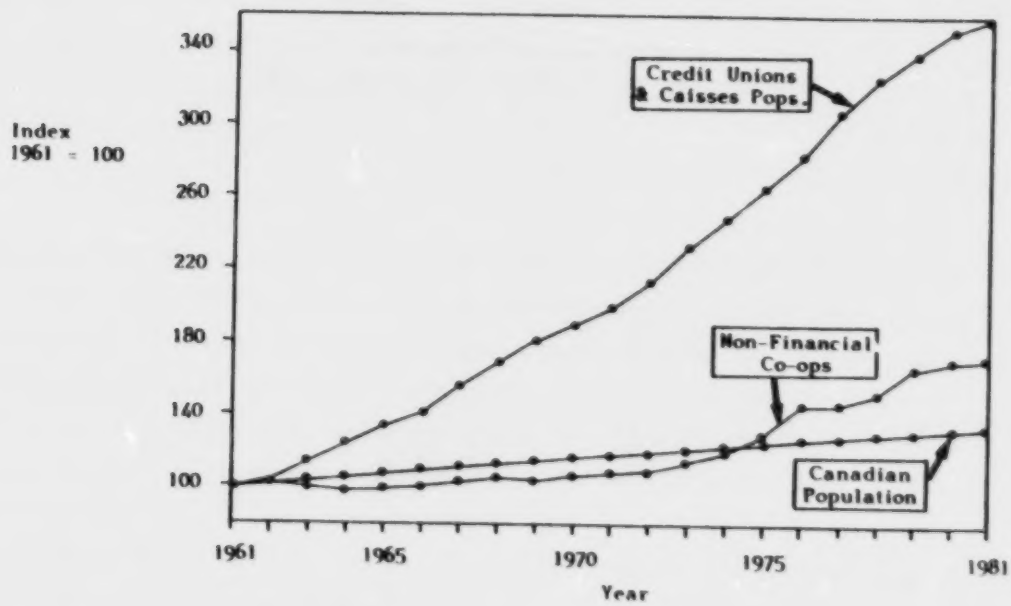


Source: Public opinion survey of over 2,000 Canadians commissioned by Canadian Unity Information Office.

Co-op membership has also been growing significantly faster than the overall Canadian population. This is especially true of credit union and caisse populaire memberships which have more than tripled since 1961.

Figure 2.11

Growth of Co-op Memberships
Relative to Canadian Population, 1961 - 1981



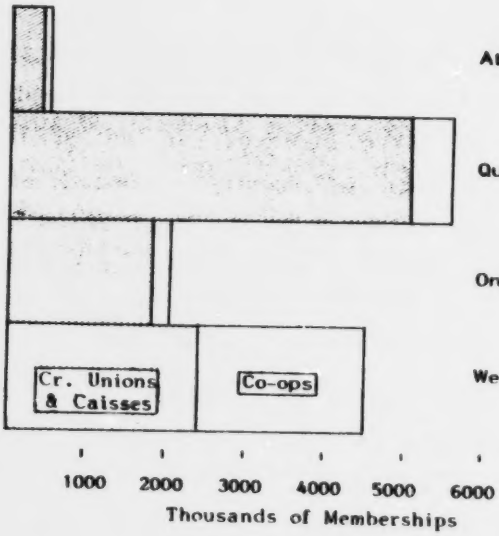
* The number of co-op memberships reported overstates the total number of people belonging to co-ops to the extent that individuals belong to more than one co-op organization.

Source: Task force analysis based on data from Statistics Canada and Agriculture Canada.

And membership in the co-operative system is spread throughout Canada. Co-ops reported over 12 million memberships in 1981, with particularly large groups of memberships in the Western agricultural, retail, and financial co-ops and in the Québec caisse populaire system. While these statistics represent numbers of memberships rather than numbers of members - some individuals may hold more than one membership - they nevertheless indicate the high degree of Canadian participation in the co-operative system.

Figure 2.12

Co-op Memberships*, 1981



		Thousands of Memberships		
		Cr. Unions & Caisses Populaires	Non-Financial Co-ops	Total
Atlantic	Nfld.	13.9	23.9	37.8
	P.E.I.	25.8	12.9	38.7
	N.S.	158.8	36.4	195.2
	N.B.	220.4	42.5	262.9
Quebec		5,142.2	428.1	5,570.3
Ontario		1,846.4	135.9	1,982.3
West	Man.	347.6	250.4	598.0
	Sask.	576.1	500.3	1,076.4
	Alta.	549.3	848.5	1,397.8
	B.C.	961.5	515.1	1,476.6
				12,636.0

* The number of co-op memberships reported overstates the total number of co-op members to the extent that individuals belong to more than one organization.

Source: Agriculture Canada and Statistics Canada data.

Marginally Economic, Social and Community Services

In Canada, it is government and charitable organizations that usually distribute the social and community services deemed essential for the whole of society. But Canada is vast, and its population dispersed, especially in the northern regions. Although universally mandated, social and community services are by no means uniformly available across the country. Many services are virtually inaccessible in several outlying areas. Co-operatives often provide an alternative mode of meeting social needs and have shown themselves capable of serving outlying regions. For example, at Tignish,

P.E.I., a tiny fishing village of 2,000, the local people began a community health services co-op as a consequence of federal and provincial government reluctance to set up a medical clinic. Instead of travelling to the clinic at Summerside, located 40 km. from the village, the people of Tignish have now obtained the services of a doctor, a dentist and a pharmacist, without any aid from government.

Many social and community services are specific and local in nature. Government often leaves it up to the private sector to meet such local needs. Non co-op businesses cannot offer all of these services, in all of the country, at affordable prices for all sectors of society. Social and community service co-ops have been created to dispense the most varied of services: day care co-ops, theatre co-ops, vacation co-ops, leisure service co-ops, even funeral co-operatives.

Co-ops dealing with communications and public utilities such as sewage systems, trucking, garages, telephone and cable distribution have sprung up across Canada to meet specific needs. Strong community involvement is essential for establishing such co-ops. In Zénon Park, a small Francophone village of 300 inhabitants in Northern Saskatchewan, there are five co-operatives as well as a caisse populaire. The community's most recent project is a telecommunications co-op that will install the necessary equipment to distribute cable services and improve the reception for certain television stations. Each member will spend about $300 to become a member of the co-op. Including the neighbouring communities, the number of potential members of this co-op has been estimated at 742, a population base usually considered too small for commercial cable services.

Co-operatives are also able to meet collective needs in matters dealing with the environment. In October, 1983, the Mouvement des Caisses Populaires Desjardins established the "fonds de récupération Desjardins" in Québec to finance projects which would create jobs as well as preserve and renew our natural resources. With the establishment of this fund, the general population can become involved in a collective effort to improve the quality of life. Members of caisses populaires can make deposits in multiples

of $100, agreeing to forego interest on this amount until September, 1988. Less than six months after its inception, two-thirds of the objective of $2 million had been attained.

Weathering Economic and Social Crises

On numerous occasions co-operatives have enabled communities and groups to surmount serious social and economic crises. Many small Canadian communities have fragile local economies, dependent on one or a few employers. As organizations with a vested stake in the community, co-operatives have often helped other businesses and services to remain afloat through critical economic times. In many instances, credit unions and caisses populaires have, through their credit department and their experience in management, enabled local organizations to surmount temporary difficulties. As an example, Co-op Implements, an agricultural equipment manufacturer in Winnipeg, recently experienced a serious financial crisis. If it had not been for the help given by the credit union system, the pools, and other co-operatives, along with federal and provincial government support, the sole farmer-owned producer of farming equipment in Canada would have had to go out of business.

The Role of Co-ops Among Linguistic and Cultural Minorities

Co-operatives play a very important role among Canadian linguistic minorities, particularly among Francophones both within and outside of Québec. In Québec, co-ops are closely associated with the social and economic emergence of Francophones. The Mouvement Desjardins, Co-op Fédérée and other co-ops have become key economic forces. Outside of Québec, co-operatives have made an essential contribution to the survival of the French language in many small Francophone communities.

The proportion of co-operators found amongst the Francophone population in Canada is very high, constituting almost half of all Canadian co-operators.

Table 2.3

Francophone Co-operators In Canada

Province	Francophones as proportion of population	Co-operators as proportion of Francophone population
	%	%
Québec	80.0	80.6
New Brunswick	40.0	80.0
Saskatchewan	1.7	57.7
Manitoba	2.8	51.7
P.E.I.	2.8	49.7
Ontario	2.2	39.8
Alberta	0.8	34.8
Nova Scotia	1.5	34.8
British Columbia	0.2	10.0
Newfoundland	---	---

Source: "Les Effectifs coopératifs francophones du Canada", a study by Le Centre de recherche et de consultation de St-Boniface, Manitoba, financed by the Conseil canadien de la coopération.

Co-operatives arose in Francophone areas to meet specific economic and social needs, and in the process, they have brought Francophones together and given them substantial economic power, most notably through the caisse populaire system. In Manitoba, Ontario and New Brunswick, the caisses populaires have formed Francophone federations. This grouping together into federations signifies a unification of the development and direction of the individual caisses populaires, and makes the preservation of the Francophone character of these organizations a priority. In provinces where federations have not been formed, extraordinary efforts have been

made on two fronts: firstly, by Francophone co-operators to preserve and assure the prosperity of their co-ops; and secondly, by the rest of the Canadian Francophone movement through the Conseil canadien de la coopération and the provincial councils in supplying aid and services to Francophone co-operatives. Economic and financial strength is an important factor in the cultural emergence of a group. Numerous Francophone communities outside Québec realize that co-operation is an important element in their linguistic and cultural survival. A more complete description of the Francophone co-op movement outside of Québec can be found in Appendix B.

While we have concentrated on the role of co-operatives in supporting Francophone economic and social development, similar examples could be drawn from other minority groups. In many urban areas, ethnic communities have used co-operative housing as a focus in maintaining linguistic and cultural contact. Credit unions have been set up in all parts of the country to serve community groups that are often isolated from meaningful participation in traditional financial institutions. For Ukranians in the West, Russian immigrants in Toronto, native peoples in the North, and for many other minority groups, co-ops bring an economic focus to their societies and in the process, reinforce participation and social cohesion within their communities.

CHAPTER 3

STRENGTHENING CAPITAL FORMATION IN THE CO-OPERATIVE SECTOR

All forms of business need capital - co-ops are no exception. In a world economy characterized by wide swings in demand for basic commodities, manufactured goods, and services, risk capital is critical as a pool of resources that can be drawn upon to weather economic storms. But capital in the co-operative sector is different than equity investment in other businesses. Co-op capital represents the shared commitment of member Canadians to the philosophy of co-operation as a means of self-help. It represents the stakes of individual members in the economic and social decisions affecting themselves and their communities. Co-op capital represents a pure expression of economic democracy - a financial commitment to the democratic and co-operative process of decision-making.

This chapter outlines the uniqueness of co-operative capital and co-operative ownership, traces the success of the co-op sector in marshalling the capital commitment of its members, and then proceeds to recommendations that will help to strengthen the process of capital formation in the co-op sector.

CO-OP CAPITAL IS DIFFERENT

Co-operative capital and traditional private sector capital have very different characteristics. Perhaps most important among these differences is the redeemable nature of co-op capital. In the non co-op private sector,

share capital is raised through equity offerings to investors. The equity raised in this manner is permanently assigned to the company - repayment of the shares by the company occurs only under extreme circumstances such as a winding-up of the business. Contrast this with co-ops, which must refinance their organization with each new generation of members. Most co-ops have equity redemption programs designed to return equity capital to older members, maintaining member equity investment roughly in line with each member's patronage of the organization. Virtually all co-ops return equity to members in the event of death or a move to another region not served by the co-op. To replace this lost equity, new and younger members must pick up the slack.

Related to the unique redemption feature of most co-operative capital is the limited marketability of co-op shares. There are no market mechanisms to trade co-op shares. Share capital in a co-operative represents the personal financial stake of an individual member, which cannot be traded. It can only be redeemed by the co-op organization. This feature of co-op capital has essentially ruled out co-operative access to many equity capital formation mechanisms used by the rest of the private sector.

Co-ops pay a limited or no return on co-op capital. Financial surpluses are generally allocated to members on the basis of patronage rather than on the basis of capital investment as in other businesses. Co-op returns usually take the form of patronage refunds, whereas non co-ops pay dividends on invested capital. Most public policy aimed at stimulating private sector investment ignores the different role of capital in co-operative businesses.

Finally, co-operative capital reflects the social as well as the economic purpose of co-operatives. In meeting member and community needs co-op capital serves both the traditional economic role of risk financing as well as a social role usually ascribed only to capital in the public sector and charitable organizations.

Capital Formation Models

Co-operatives have found a number of capital models to be effective in providing financial flexibility while retaining the unique features of co-operative capital described above. In most of the large established co-ops in the agricultural and consumer sectors, equity capital is accumulated primarily through unallocated retained savings of the organization and retained patronage refunds allocated to individual member equity accounts. At the Saskatchewan Wheat Pool, for example, share capital allocated to individual members amounted to $224 million as of 1983, with an additional $55 million in unallocated retained earnings.

Under this predominant approach to co-operative capital formation, new members join the co-op with a relatively small equity investment. That equity commitment then grows with each member's use of the co-op's services. Members share in the savings (earnings) of the co-op in proportion to their patronage of the co-op - and a certain portion of patronage allocations are usually retained in member equity accounts to provide an adequate capital base for the organization. This allocated equity is then redeemed over time according to a formula which ensures that adequate overall equity is maintained.

Within the consumer co-op sector a significantly different capital formation model has emerged as a strong alternative over the last twenty years. In "direct charge" or "service fee" co-operatives, capital is raised through a relatively large up-front commitment from members - sometimes supplemented by a capital surcharge on member purchases. The co-op also levies a weekly service fee on members to cover all or part of the co-op's operating expenses. Having provided for capital requirements and most operating costs, the co-op is then able to price merchandise at close to its wholesale cost. The direct charge capital formation model works particularly well in co-ops which are patronized often by members - such as co-op grocery stores.

There are several examples of very successful direct charge co-ops on both the East and West Coasts of Canada. In Nanaimo, B.C., the Hub Co-op has some 7,000 members - each patronizing the co-op's food and hardware lines at an average rate of $67 per week. Capital in the Hub Co-op is raised through individual subscriptions of 15 shares at $10 each, as well as through a surcharge of 2% of member purchases that is used as loan capital by the co-op. Each family then pays a weekly service fee of $2.50, to cover operating costs. This same model has been used effectively by Boni Co-op, located in St. Boniface, Manitoba. Direct charge co-ops have also been very successful in Atlantic Canada. There are at least 20 direct charge co-ops in Eastern Canada with a combined membership of over 22,000 and average member patronage of $89 per week.

A third model of capital formation can be found in the credit union and caisse populaire systems where individual member equity is usually limited to between $5 and $25. These shares resemble savings deposits in that they are not subject to withdrawal restrictions and are often fully guaranteed. Many credit union share accounts also feature life insurance benefits provided for by co-operative insurance companies. The low share investment requirements of credit unions and caisses populaires have allowed virtually all classes of Canadians to become members of democratically-run financial institutions.

Because share capital can be easily withdrawn, credit unions and caisses populaires have generally relied on unallocated reserves and retained savings to satisfy their needs for equity capital. This reliance on internally-generated capital combined with rapid growth in credit unions and caisses populaires throughout Canada has resulted in a shortage of capital in many parts of the credit union and caisse populaire systems. Credit unions and caisses populaires are responding to this pressure by studying new models of capital formation involving greater member equity commitments.

The non-financial co-operative sector is also experimenting with new models of capital formation. Co-Enerco represents a co-operative joint venture in energy development bringing together investments from the

federal government, the co-operative sector, and eventually, individual Canadians. Worker-owned co-operatives in many parts of the country are mobilizing the equity of workers in their own businesses. Fisheries co-ops in Atlantic Canada have brought the equity investments of fishermen and plant workers together to form a blended producer and worker co-operative model. In these and other ways co-operatives are responding to the challenge of capital formation as they expand into new areas of business.

CO-OPERATIVE OWNERSHIP IS DIFFERENT

From the point of view of the member, co-op ownership is also very different from other forms of private sector ownership. People join and invest in a co-operative because it can help them to meet economic and social needs - not because of the prospect of capital appreciation. Return comes in the form of enhanced services and a fair patronage refund rather than as dividends or capital gains based on shareholdings.

Co-op ownership guarantees the member's right to meaningful participation in the economic and social policy of the co-operative. Ownership and control in co-ops are not tied to capital investment as in other parts of the private sector. The right to participate is assured through the co-operative principle of one vote per member and co-op democratic traditions of delegate and committee structures designed to ensure broad participation in policy formation.

Co-operative businesses are also virtually 100% Canadian-owned and likely to stay that way. Absentee ownership doesn't make sense in co-ops - members realize their return from co-ops only in terms of participation and patronage of co-op services. Besides, members cannot sell their ownership interest except back to the co-operative itself.

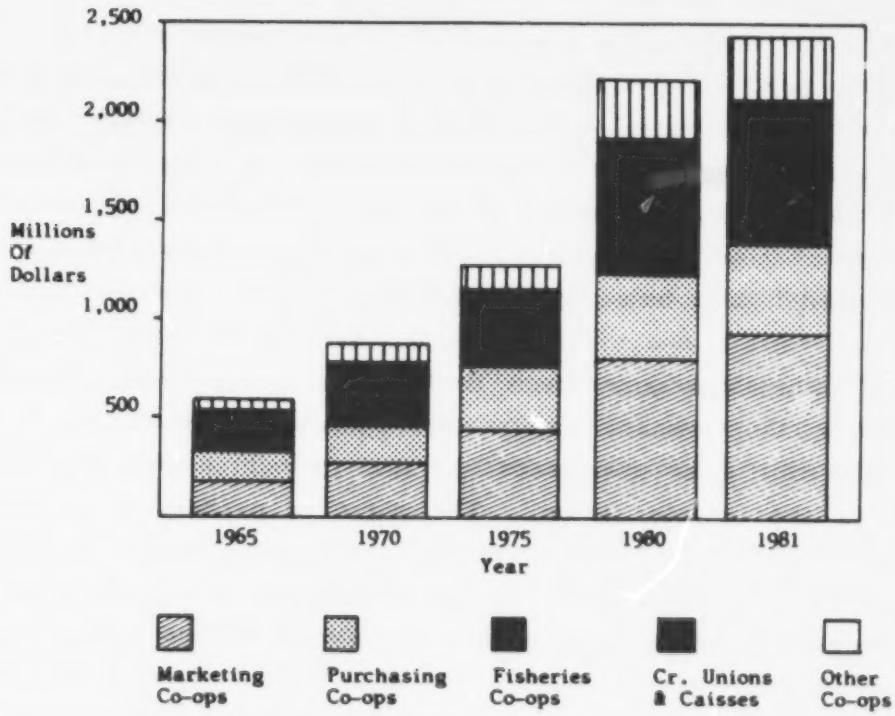
Economic Democracy In Action

On the whole co-ops have proven to be an enormously effective means of pooling the financial commitments of millions of member Canadians in

pursuit of shared economic ends. Member equity in the Canadian co-operative sector exceeded $2.4 billion in 1981 - in businesses as diverse as financial services, agricultural and fisheries marketing, retailing and wholesaling, health services and numerous others.

Figure 3.1

Total Member Equity In The Co-operative Sector*, 1965 - 1981



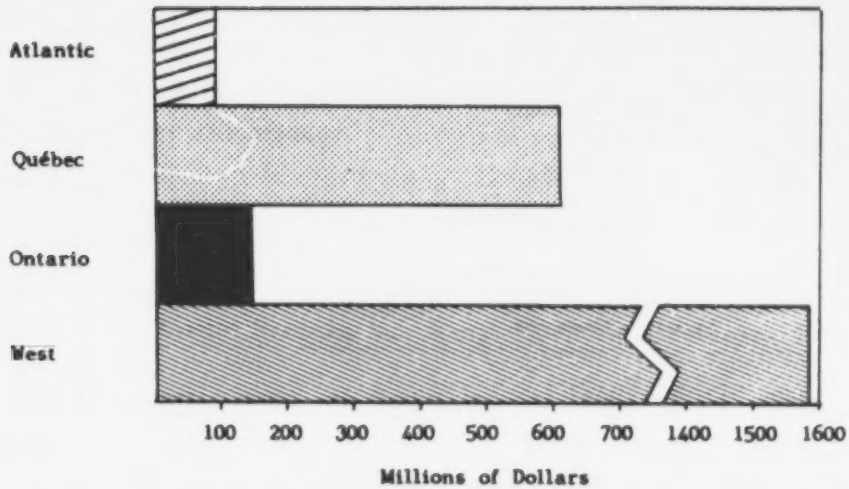
* Excludes co-operative trust and insurance businesses.

Source: Statistics Canada and Agriculture Canada data.

While co-operation is particularly strong in Western Canada, the co-operative sector has attracted substantial equity participation in all regions of the country.

Figure 3.2

Regional Breakdown of Member Equity In The Co-operative Sector*, 1981



* Excludes co-operative trust and insurance businesses.

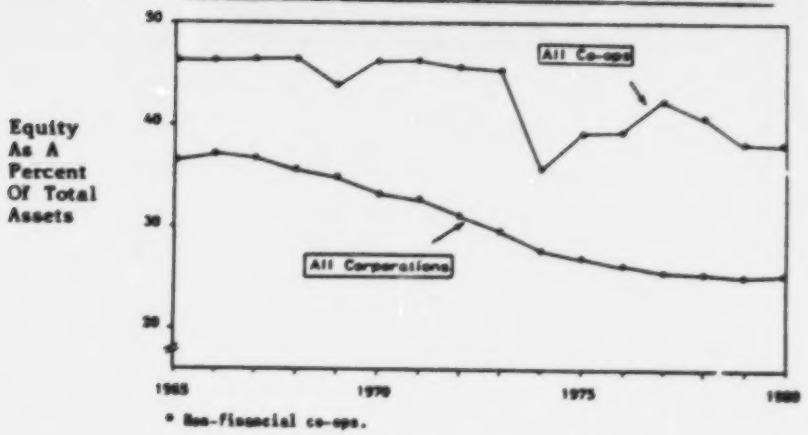
Source: Statistics Canada and Agriculture Canada data.

COMPARATIVE CAPITAL PERFORMANCE

Taken as a whole, co-operatives have maintained higher levels of equity capital in their businesses than the overall private sector - even during the recent recession. Total equity in co-op businesses fell from 46% of assets in 1965 to 38% in 1980, but equity in all of Canada's corporations fell from 37% of assets to 25% during the same period.

Figure 3.3

Equity To Total Assets
Co-ops* Vs. All Corporations, 1965 - 1980



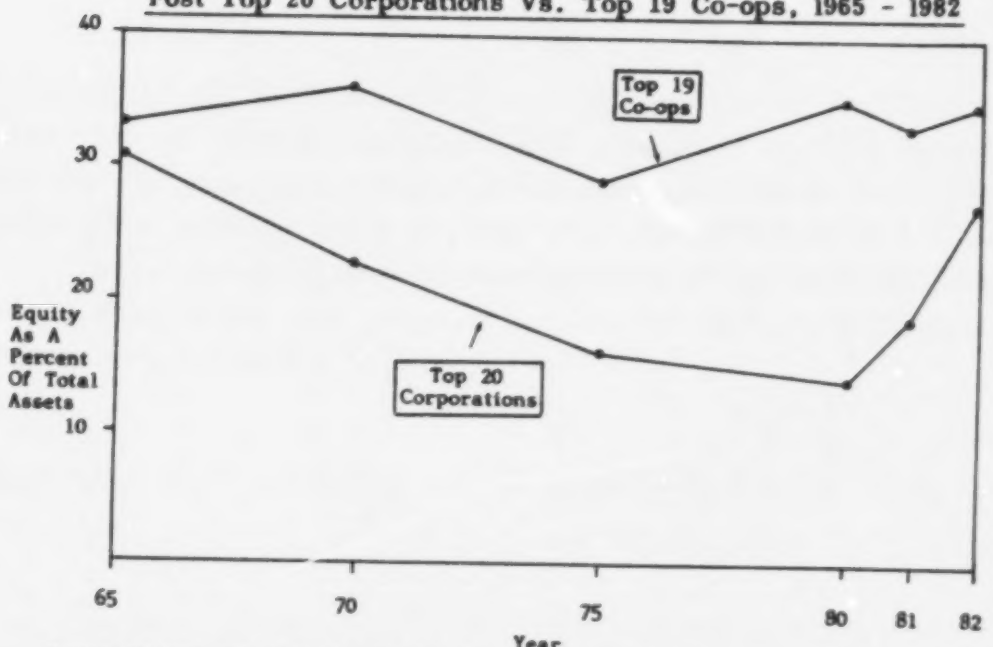
* Non-Financial co-ops.

Source: Task Force analysis based on Statistics Canada and Agriculture Canada data.

Among large businesses co-ops have an even stronger record of maintaining a sound equity capital position. The average proportion of equity in the 19 largest Canadian co-ops has actually increased since 1965 - while the average equity ratio of Canada's top non co-op corporations fell dramatically between 1965 and 1980 before recovering in 1981 and 1982.

Figure 3.4

Equity To Total Assets, Average Ratios of Financial Post Top 20 Corporations Vs. Top 19 Co-ops, 1965 - 1982

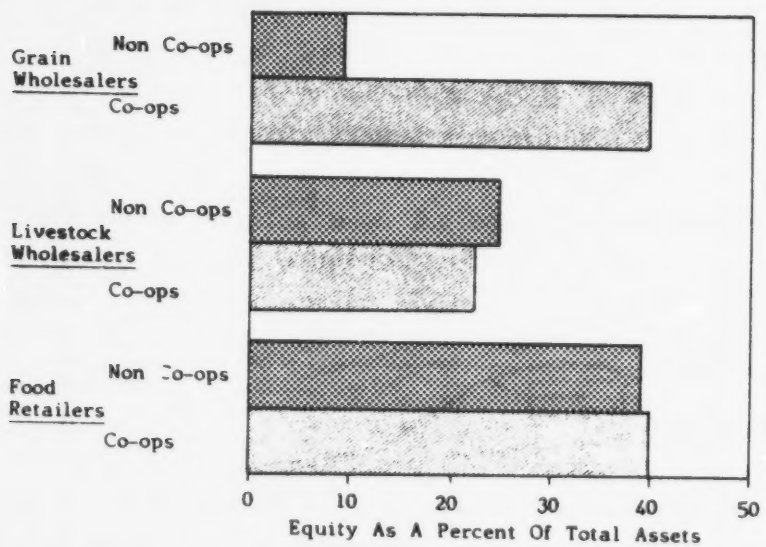


Source: Task Force analysis based on Financial Post data and annual reports.

Obviously, these comparisons do not consider the different mix of business enterprises between the co-op sector and the non co-op sector, and equity to asset ratios vary according to industry. However, in direct industry comparisons where statistics are available, co-operatives seem to maintain equity to asset ratios as high or higher than comparable non-co-operatives. For example, equity capital ratios in the livestock wholesaling and food retailing industries are very similar for co-op and non co-op businesses. And in the grain wholesaling industry, co-op businesses have a significantly higher level of equity in their capital structures than non co-operative businesses.

Figure 3.5

Equity To Total Assets
Co-op Sectors Vs. Total Corporate Sectors, 1980



Source: Task Force analysis based on Statistics Canada and Agriculture Canada data.

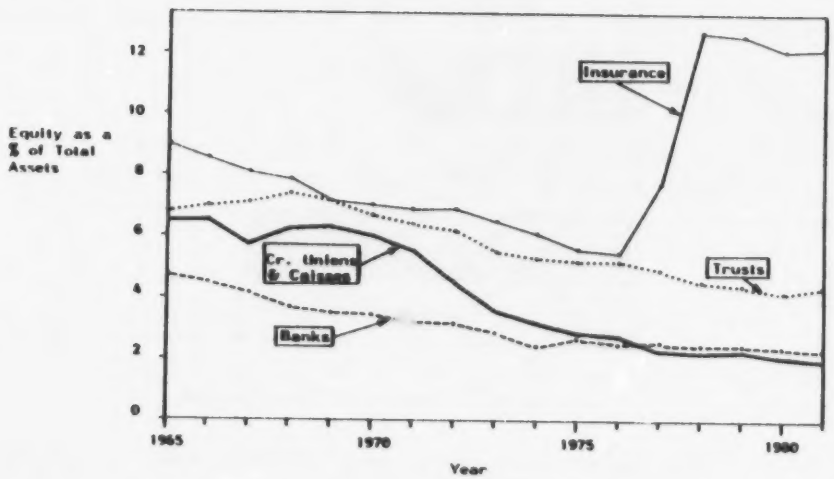
Unfortunately, not all parts of the co-operative sector have fared equally well in preserving a healthy capital base. Co-ops have faced the same cost and competitive pressures that have scarred the overall Canadian

economy in recent years. Many individual co-op businesses have been severely affected by the recession and desperately need capital renewal to regain the competitive strength required to serve their members.

The capitalization problem appears to be most acute in the co-operative financial services sector - particularly in many parts of the credit union and caisse populaire systems. Reflecting rapid growth and an intensely competitive environment, equity within the credit union and caisse populaire systems has fallen from over 6% of total assets in the mid 1960s to just over 2% today. Although similar trends can be seen in the capital accounts of all other financial institutions, the credit union and caisse populaire systems have made equity formation a special priority.

Figure 3.6

Equity To Total Assets
Financial Institutions, 1965 - 1981



Source: Task Force analysis based on data obtained from Statistics Canada and the Report of the Superintendent of Insurance for Canada.

MAINTAINING ADEQUATE EQUITY

As different as capital and ownership are in the co-operative sector, adequate equity capital remains an essential ingredient for success in co-ops - just as in all private sector businesses. Equity is needed in any form of business to moderate the financial risk of failing to meet inflexible debt obligations during periodic business downturns. Although equity capital should not be considered a "free" source of funds to an organization, there are no fixed interest or repayment schedules for equity capital. Equity capital is also essential in financing growth. As an organization expands, higher levels of equity (risk capital) are required to match the growth in debt and other obligations.

While the co-op sector as a whole has been successful in attracting adequate member capital, there are individual co-ops that are facing an immediate and critical equity capital shortage. On a sector basis, as we noted, this shortage is most pressing within parts of the credit union and caisse populaire system, where adequate equity is essential to maintaining liquidity and providing security against normal business risks.

To address the ongoing need for equity capital throughout Canada's co-operative sector, we recommend that:

Recommendation #1

Co-operatives should continue to emphasize the importance of equity in their capital structures by promoting member education and by setting appropriate equity targets.

Co-operatives need to re-emphasize the importance of equity for more than just financial reasons. Equity capital provides a tangible expression of member commitment and support for the co-operative. People with a stake in their co-operative find ways to make the organization succeed. Co-ops need that member commitment and participation to be successful.

After talking to co-op members, leaders and managers across the country, it is clear to us that a strong commitment to building equity does exist throughout the co-operative system. Finding new ways to tap that strength should be a priority for co-ops in addressing the capital formation issue. We therefore recommend that:

Recommendation #2

Co-operatives should develop new ways, in addition to retained patronage refunds, of raising equity capital directly from members.

Unfortunately, co-operative capital renewal efforts have been hampered by the absence of an equitable tax environment for co-op investment. Federal government tax policy initiatives designed to encourage individual investment in Canadian businesses have failed to address the special nature of co-op investments. A few examples illustrate this point:

- Co-op investments certainly represent the type of long-term retirement-oriented savings contemplated in Registered Retirement Savings Plans (RRSPs). Many fishermen and farmers already use their co-op equity in planning their retirement income. Yet co-op equity investments cannot generally meet the marketability requirements demanded by RRSP regulations.

- Indexed Stock Investment Plans (ISIPs) allow investors to pay tax on only that portion of investment capital gains that exceeds gains due to inflation. Co-op members face the same inflationary pressures in maintaining purchasing power, but ISIPs cannot accommodate the non capital-gain return characteristics of co-op shares.

- Investors receive favourable tax treatment on both capital gain and dividend returns from other Canadian private sector investments - only one-half of capital gains is taxed and dividends are eligible

for dividend tax credits. Co-op patronage refunds are excluded from both categories.

Co-operators do not seek preferential tax treatment for co-op investments. But co-ops have proven to be an effective national force in mobilizing the equity and commitment of Canadians to meet their economic and social needs - and therefore deserve equitable treatment in the formulation of investment incentive tax policies. There is also a sense of frustration among co-operators at the continuing need to "fit square pegs into round holes" when dealing with federal government investment incentives which are usually designed with non co-operative investment in mind. There is a need for comparable investment incentives that specifically address the unique nature of co-operatives. Particularly in the credit union and caisse populaire systems, there is a need for taxation incentives to encourage long-term share equity investment. We therefore recommend that:

Recommendation #3

The federal government should develop a Co-op Registered Savings Plan that would encourage long-term tax deferred investment in co-operatives. Provisions of the plan would include: tax deferral provisions similar to existing RRSPs, group administration to minimize cost per member, and the opportunity for members to automatically contribute patronage refunds to such plans.

Looking forward, co-operators must continue to adapt co-op capital formation models to meet changing economic conditions and demands for new investment. Because of the unique characteristics of co-op equity, capital markets are typically not appropriate as vehicles for co-op capital formation. It is therefore crucial that co-operators develop investment instruments that meet the unique requirements of the co-operative sector. This process has already begun. Co-ops across the country are thinking about new types of shares and other equity instruments that might better meet the needs of

co-op organizations and their members. For example, the life insurance products which attach to the share accounts of many credit union members have been improved, further enhancing the value of such share accounts. This commitment to exploration, research and experimentation will ensure the future capital strength of the co-op sector. We therefore recommend that:

Recommendation #4

The co-operative sector should continue to explore new investment vehicles and instruments through a focused research effort.

In meetings with co-op leaders, members and managers across the country, the potential strength through members inherent in the co-op form of organization was confirmed again and again. We believe that the recommendations of this chapter will allow co-ops to tap a greater part of that potential strength and thereby provide a financial base for continued growth and service to members.

CHAPTER 4

RENEWING THE COMMITMENT TO EDUCATION

Co-operatives in Canada have long been committed to education as the cornerstone of co-operative growth and development. While the emphasis in education has varied considerably from one co-operative to another, it has generally included the education of members, boards, management, and the general public.

Of all of these, member education continues to be the most critical. Co-operatives, like all democracies, can only succeed if their members understand and actively participate in them. Ordinary members must have a basic knowledge of their co-operative's goals, finances, governing structure, and the nature of its business. Board members must have an even greater understanding of the business issues facing the co-operative and the ability to set long-term strategic direction.

With an estimated 10.5 million co-op members and over 6,000 boards of directors, the challenge of co-operative education is immense. To meet that challenge the co-op system sponsors and manages one of the largest non-public educational systems in the country. Most co-operatives of significant size have educational programs for their members. In many co-operatives management education is also encouraged both in terms of general business skills and the specific requirements of managing in a co-operative environment.

Anglophone co-operatives established and fund a national institution, the Co-operative College of Canada, to develop educational curricula, publish research reports and course materials, and deliver courses through a nationwide extension program. The College has a full-time faculty, library, and classrooms and, in addition to its extension work, offers university-level courses in conjunction with the Faculty of Environmental Studies at York University including the opportunity to study at the Master's level in co-op management and leadership. In Québec, the Institut de recherche et d'enseignement sur les coopératives de l'Université de Sherbrooke (IRECUS) is dedicated to co-operative research and training as well as international co-operation, offering a Master's degree in co-operation that is the only one of its kind in North America. The Sherbrooke program takes a general approach, featuring course work from co-op law to co-operative sociology. In New Brunswick, the Institut de coopération Acadien offers university-level courses as well as fellowships in co-operative studies. Finally, the Anglophone credit union system maintains a training institute for credit union managers and employees.

While such member, board, and management education is essential to co-operative development, most co-operatives are aware that the growth of co-operatives in Canada also requires educating the public at large as to the benefits of co-operatives and their usefulness in meeting many of today's economic and social needs. Unfortunately, the burdens of such public education have fallen almost entirely on co-operatives themselves. With few exceptions, co-operative education has been largely neglected by the schools, universities, and business academies of our country. Commerce graduates almost never study co-operatives though co-ops form a significant part of the economy, and students of government discuss democratic institutions in Canada without reference to the only democracies among Canadian businesses.

Notwithstanding this general ignorance of co-operatives, a handful of universities have developed significant co-operative studies and research programs. We have already mentioned the Master's programs at York University and the Université de Sherbrooke;the Ecole des hautes études commerciales at the Université de Montréal houses the Centre de gestion des

coopératives; the University of Saskatchewan is establishing a co-operative research facility; St. Francis Xavier University at Antigonish, Nova Scotia, has long been home to the Coady Institute, an international centre training Canadian and foreign students in the theory and practice of co-operatives; and a co-op program is also offered at Laurentian University in Sudbury.

MEETING THE EDUCATIONAL CHALLENGE

In meetings across the country with the Task Force, co-operators repeatedly emphasized that education must be one of the sector's highest priorities. Many co-operative members felt that in recent years the co-operative commitment to education, while substantial, has not been adequate given the need for education both within the sector and outside its current membership.

Within the sector the business issues facing co-operatives are becoming ever more complex, requiring greater business knowledge on the part of members - especially board members. And as the post-war generation of co-operative leaders gives way to a new generation of co-operators, there is a renewed need to teach the operating principles of co-operative enterprise. The Task Force is firmly of the belief that effective co-operative education will be critical to the growth and development of Canadian co-operatives in the 1980s. We therefore recommend that:

Recommendation #5

Canadian co-operatives should reaffirm their responsibility for, and renew their commitment to, education of members, boards, management, and the general public as to the principles, benefits, and shared characteristics of successful co-operative enterprise.

In general, co-operatives have the resources necessary to carry out a renewed and expanded educational program for their members and employees. Although many co-operators expressed the opinion that they pay taxes twice for education - once for the public education system and a second time for the co-operative education system - the Task Force does not believe that government funding of general co-operative education of members, boards and management in large established co-operatives is necessary. However, co-op educational resources are stretched very thin in certain parts of the country where accessibility to estalished programs is a problem - such as in the North, in parts of Atlantic Canada, and in Francophone communities outside of Québec. In certain regions the training of Francophone directors and managers has proven to be very difficult due to the isolation and small size of the Francophone communities, as well as the restricted availability of French teaching materials. Given the federal government's national role in support of locally determined economic development in remote communities and culturally isolated areas, we recommend that:

Recommendation #6

The federal government should assist co-operative educational efforts in the North, remote parts of Atlantic Canada, Francophone communities outside of Québec and other isolated or inaccessible areas by providing joint funding for these efforts through existing co-operative support organizations.

While co-operatives are pleased to provide educational programs for their members and employees, they have been dismayed by the reluctance of public school officials to provide for co-operative curricula within the general public education system. For example, the Co-operative College working with its membership developed highly praised co-operative resource materials for elementary and secondary school children. Sadly, the co-operative system has even had to pay for the purchase of these books by school systems, and in most provinces these curricula are still not fully utilized.

Only recently have the first teacher training programs been started in Saskatchewan.

Co-operation has long been an important third way by which millions of Canadians have joined together to further their common economic development. If the promise and benefits of co-operatives are to be made available to a new generation of Canadians, it is critical that co-operative education have a place in the curricula of our public schools commensurate with its importance in the history and future of this country. We therefore recommend that:

Recommendation #7

Each provincial government should ensure that the economic, social, and cultural curricula of primary and secondary schools specifically address the role and contribution of the co-operative sector in Canada.

THE NEED FOR RESEARCH

Co-operatives in Canada have long been concerned with innovation in both a social and economic sense. Economically, co-operatives have introduced more than their share of new products and services to the Canadian economy. Automated teller machines, computerized farm services, dental insurance, and full-service home centres are all innovations pioneered by the co-operative sector. (A brief list of these and other innovations is contained in Appendix A.) But as important as co-operatives have been in generating product and service innovations, they have been even more important as a source of social innovation in Canada.

The co-operative form of business is in itself one of the most significant innovations in business organization of the last 100 years. By separating the control rights of ownership (e.g., voting rights) from the

share of ownership, the co-operative form of organization introduces all sorts of opportunities for overcoming the organizational rigidities that often prevent innovation in traditional businesses.

In consumer co-operatives, credit unions, and caisses populaires the fact that customers are owners provides a strong incentive for innovation in services and an opportunity to develop much more responsive, consumer-oriented organizations. In producer co-operatives member involvement encourages both innovation in services and innovation in the individual producer's business because of the economies of scale which the co-operative can realize. Though one Wheat Pool farmer cannot afford to study the potential of on-farm fuel production from crop waste, the Pool itself can easily do it for all members.

As we will discuss in the next chapter, the development of the co-operative model in new areas like health care and worker ownership could yield major benefits to the economy. In health care the co-operative form of organization creates the opportunity for both a more responsive and a lower cost system of care. Worker-owned co-operatives introduce the possibility of much more productive, stable, and flexible business enterprises in all parts of the economy. Blended co-operatives with both employee and customer or producer members offer the opportunity to create businesses whose decision-making processes represent and involve the interests of all key shareholders.

In short, the Task Force believes that the co-operative form of business holds great potential for addressing some of our most pressing problems such as poor labour/management relations, declining productivity, institutional unresponsiveness, and lack of social and economic innovation. But we are certainly not there yet. The co-operative system has its own problems in all of the aforementioned areas and, like all organizations, co-operatives have to fight the natural tendency to create bureaucracies which stifle innovation and change. In summary, the co-operative form of organization creates an opportunity, and we are searching for ways of making that opportunity a reality.

Increasingly, the co-operative system has come to recognize that its ability to fulfil the promise of the co-operative form of business has been constrained by a lack of attention to social and economic research on co-operatives. Few efforts have been made to study and document the methods of the most successful co-operative organizations. Basic business research in Canada has focused almost exclusively on issues affecting traditional corporate and public sector organizations. Social research has mainly looked at co-operatives in an historical context and not in terms of their future potential.

The federal government is by far Canada's largest funder of social and economic research, but the amount of federal funding going to co-operative research is minimal. That which is available is usually given only to academics. By comparison the federal government not only funds academic research on labour issues through the Social Science and Humanities Research Council, but also makes significant sums available directly to unions and other organizations through the Department of Labour. Moreover, the federal government directly funds a number of research and innovation centres addressing labour issues - the most recent being the Canadian Labour Market and Productivity Centre.

Research into the issues and challenges facing co-operative business and its potential for meeting the social and economic problems of Canadians should be a priority not just for the co-operative system, but for the country as a whole. We therefore recommend that:

Recommendation #8

The federal government - because of its natural role in funding economic, social, and cultural research in Canada - should make available to the co-operative sector substantial ongoing funding for co-operative research.

The co-operative system has identified a wide range of research topics to which this funding could be applied including, for example:

- Theory and application of co-operative decision-making and management practices
- Equity formation issues in co-operative businesses including the study of new forms of co-operative equity
- Managing productivity in a co-operative environment
- Opportunities for co-operative development in new sectors (worker ownership, health care, child care, nursing homes, forestry, etc.)
- The unique nature of co-operative planning
- "Blended" co-operative models with both producer and worker, or consumer and worker, ownership
- Co-operative interdependence and opportunities for system wide initiatives
- Organizational links among Francophone co-operatives, particularly caisses populaires, across the country.

This list is not by any means exhaustive, and in some areas small research efforts are already under way, supported by co-operative funds. The co-operative sector is exploring ways in which priorities for additional projects can be set and funding secured. Given the separate educational systems in French and English Canada, these discussions will be taking place in different forums. On the Francophone side, research priorities are being discussed within the Conseil canadien de la coopération. The Anglophone members of the Task Force recommend that a special working committee be set up to address what research priorities should be within the Anglophone

co-operative system and how such research should be funded. Specifically, they recommend that:

Recommendation #9

The Anglophone co-operative system, through the Co-operative Union of Canada and the Co-operative College of Canada, should establish a special working committee on co-operative research to evaluate the feasibility and recommend whether a co-operative research endowment fund should be established at the Co-operative College of Canada.

This special working committee on research should be composed of a small group of senior people in the co-operative system, as well as representatives from outside educational institutions, with a mandate to:

- Examine the types of research required by the Anglophone co-operative system and set priorities among them
- Evaluate the feasibility of a co-operative research endowment fund that could be established at the Co-operative College of Canada and recommend to the co-operative system whether or not such a fund should be established
- Determine the appropriate size of such an endowment
- Develop a proposed plan for creating such an endowment including an approach to fund raising and annual targets
- Suggest mechanisms (e.g., the Presidents' and Chief Executive Officers' Conference) by which research priorities could be proposed on an annual basis and recommend an appropriate governing structure for such an endowment fund

- Examine the ways in which the co-operative system could make better use of existing research funding and set priorities for applying the federal funds for co-operative research which the Task Force has recommended.

The committee should be appointed jointly, by the Co-operative Union of Canada (CUC) and the Co-operative College of Canada and draw upon both organizations for its staff support. It should report to the CUC and the Co-op College on the above items no later than November 1984.

The Task Force is hopeful that the government can make an early commitment to funding co-operative research. Such a commitment would encourage the research initiatives currently taking shape within the co-operative system and would allow planning to proceed with some confidence that funding will be available from other than just co-operative organizations. With enhanced research capabilities and a renewed commitment to education, the Task Force is confident that the intellectual and human resources of the co-operative sector can be adequate to the development challenges of the next decade.

CHAPTER 5

PRIORITIES FOR CO-OP DEVELOPMENT

The Canadian co-operative system is at a crossroads in its development. The early struggles to establish co-operatives in agriculture, financial services, and retailing were immensely successful, and the last twenty years have witnessed a consolidation of co-operative strength in those industries. As documented in Chapter 2, it is difficult to imagine Prairie agriculture without the Pools, the Québec financial industry without the Desjardins caisses populaires, or very many rural areas of the country without a co-op store.

Co-operatives in agriculture, financial services, and retailing are not without their difficulties, but they are well established and will generally continue to develop and expand their activities. The larger challenge facing the co-operative system is the development of strong co-operative sectors in other parts of the economy. And the established system is at a crossroads because it cannot be taken for granted that new co-operative sectors will arise without the support of the established movement.

Co-operatives have always been created in response to people's needs. And, in many parts of the economy the need for co-operative approaches to business is as great today as was the need to establish co-operation in agriculture, finance, and retailing sixty years ago. Canadians are concerned about job creation and preservation, the quality and cost of health care delivery, regional development, housing, child care, and dozens of other areas where the co-operative form of organization can

provide a unique means of meeting their needs and objectives. In fact, new co-operatives are already at work in dozens of industries and in all parts of the country. Often referred to as "emerging co-operatives", these new co-ops are bringing social and economic innovation and democratic control to parts of the economy previously untouched by co-operative activities.

In this chapter, we will examine the opportunities for co-operative development, both within established sectors and in those areas where co-operation is still getting off the ground. A discussion of co-operative development opportunities could be almost endless. Based on our consultations with the co-operative system, we have attempted to set priorities for development. In doing so we have focused on four areas that are of national concern and where co-operatives have significant undeveloped potential:

- Worker-owned enterprise
- Health services
- Fisheries
- Housing

Before introducing our recommendations in each of the four areas, we will comment briefly on our philosophy of co-operative development and describe the development priorities of the more established co-operative sectors.

OUR PHILOSOPHY OF CO-OPERATIVE DEVELOPMENT

One of the major themes of this report is that the established co-operative system can play a leadership role and offer various kinds of assistance to emerging co-operative sectors. We will discuss precisely how

that role can best be fulfilled in this chapter, but we want to emphasize that new co-operatives can only be created successfully by those people whose needs they are going to meet.

Our philosophy of co-operative development holds that co-operatives must arise out of grassroots initiatives. Some people in the co-operative system have called this a "bottom-up" philosophy of development. Co-operatives cannot be imposed on communities. Indeed, they are difficult enough to start that it is imperative that a hard core of dedicated local organizers be involved from the beginning.

Our belief in bottom-up development should not suggest, however, that we do not see an important role for established co-operatives in aiding new co-operative development. The established co-operative system has a crucial role to play in assisting the emergence of new co-ops. In the first place, people with unmet social and economic needs must be made aware of and understand that they have a co-operative option. The established system must inform people of the potential of the co-operative form of organization and its applicability to their situation. Few people in Canada who are worried about job creation or preservation are aware of the possibilities inherent in worker-owned co-operatives. The established co-op system should take the lead in educating people and spreading the word about new kinds of co-operatives.

In the second place, the established co-operative system can provide technical assistance, financial help, lobbying, and other kinds of support. Many grassroots co-operative initiatives founder because they do not obtain technical assistance at critical moments in their development. Others never get off the ground because they cannot get a receptive hearing with government when government support is required. Though its resources are not unlimited, the co-operative system can provide critical support to get new locally developed co-operatives over some start-up hurdles.

One difficulty the established co-op system has, however, is how best to deliver that support. In Québec, the co-op system working with the provincial government created the Société du dévéloppement co-opératif

(SDC) to support new co-operative development in all sectors. Funded mostly by the Québec government, the SDC provides financing, consulting, and other support to new co-operatives.

Anglophone co-operatives have not established a general development agency but rather have tried to coordinate their development assistance with support federations organized by co-operatives in emerging sectors. The Co-operative Housing Foundation, for example, provides national support services to dozens of co-op housing federations in various communities which actually work with local residents to develop new co-operative housing projects. The established co-op system provided start-up funding to the Co-op Housing Foundation and continues to work closely with the Foundation in support of expanding the co-operative housing sector in Canada.

In reading the development initiatives that follow, please keep in mind that co-operative development in each sector must take account of the regional differences in approach to co-operative development. In Québec the SDC will play an important role in co-operative development. The Anglophone co-operative system will generally prefer to work with support groups organized within new sectors. And in Newfoundland co-operatives have indicated they want the Newfoundland-Labrador Federation of Co-operatives to coordinate development activities in their province.

A final note on our co-operative development philosophy has to do with the role of government. Co-operatives in Canada have always prided themselves on their independence, but when joint initiatives with government made sense, they have not been slow to pursue them. Co-Enerco is a prime example of an effective co-operative/government joint initiative that holds great promise of meeting both co-operative and government goals for energy development. Several of the recommendations that follow are in a similar spirit. They are proposals for joint co-operative/government action to meet the goals of both the co-op system and the nation at large. In each of them we have recommended that the co-operative system should take the lead in development while consulting with the federal and provincial governments as the initiative proceeds.

Our interviews across the country have confirmed that most people in the co-operative system support such co-operative-led joint development. They will be frankly suspicious of any government initiatives that are directed at establishing government as a prime developer of new co-operatives. This is not to say that all joint initiatives must be on co-operative terms; only that joint co-operative/government projects must take shape in a consultative environment and reflect a true mutuality of interests between the government and the co-operative system.

DEVELOPMENT PRIORITIES FOR ESTABLISHED CO-OPS

A brief summary of the development priorities of the established co-operative sector runs the risk of being so abbreviated as to be misleading. Given the breadth of industries, regions, and types of members covered by the existing co-operative system, it is possible only to highlight a few areas where new developments seem most significant. In the process we are sure to miss some developments that are priorities for certain groups of co-operatives. We will focus on priorities in three general areas:

- Agricultural co-operatives
- Financial co-operatives
- Retailing co-operatives

Agricultural Co-operatives

Co-operatives have developed a strong presence in many parts of the agricultural economy. Dairy co-operatives now market 50% of the nation's milk; the Wheat Pools and other marketing co-operatives handle almost 70% of the nation's grains; and co-operatives also supply about a third of all farm inputs like fertilizer. Marketing co-operatives have steadily integrated forward in the food chain building processing plants and creating branded products. This integration has been most successful in the dairy and

oilseeds areas. Supply co-operatives have also integrated backwards to the production of farm inputs - most notably nitrogen fertilizers, petroleum, and farm machinery. Some of these investments, particularly in fertilizers and farm machinery, have been in difficulty the past few years because of the severe downturns in those two industries.

The priorities for new development among agricultural co-operatives are threefold. In the first place, they want to continue downstream development in food processing and pursue opportunities for linking more closely the retail and agricultural co-operative sectors. In the second place they would like to consolidate and strengthen their upstream investments. Through a systemwide co-operative effort both Western Co-operative Fertilizers and Co-op Implements have survived their difficulties and are ready to take advantage of recoveries in the fertilizer and farm machinery markets respectively.

Co-Enerco, a co-operative system joint venture with the federal government in the petroleum industry, was successfully launched in 1982 and is now a fully operating oil company. The long-term goals of Co-Enerco - which include furthering Canadianization of the oil industry, securing energy supplies for co-operatives, creating an investment opportunity for credit union members, and developing alternative energy sources - together represent a successful balance of both government and co-operative needs in energy development. New opportunities will continue to arise in this field and will be deserving of careful exploration by both the co-operative system and the federal government. Both partners will need to ensure that adequate investment capital is available to capitalize on those opportunities.

The third development priority is to expand co-operative exports of both raw and processed materials. The export market is the Canadian farmer's greatest hope for continued income growth, and co-operatives are studying various ways of capturing a greater share of world food trade. The federal government has recently initiated a special agricultural export agency, Canagrex, with the same goal of boosting food exports. We welcome this development and are interested in exploiting some of the unique strengths of the co-operative system in world trade. In many countries

agricultural co-operatives have formed trading companies which can specialize in co-operative products and link up with co-operative trading houses in other countries. We believe a co-operative trading agency could provide some unique opportunities through the global co-operative system of increasing Canadian exports. Therefore we recommend that:

Recommendation #10
The co-operative system should explore with the federal government ways of assisting co-operatives to boost exports including the possibility of developing a co-operative trading agency, perhaps through a trading company like Canagrex.

Agricultural co-operatives have a separate concern relating directly to the difficulty young people have in trying to get started in farming. The equity cost of becoming a new farmer is enormous based on farmland prices and the cash flows one can expect from current agricultural prices. These costs are more manageable for sons who are inheriting a father's farm because of special intergenerational tax breaks. A new kind of intermediary co-operative might be able to extend such tax advantages to young prospective farmers who have no agricultural inheritance.

The agricultural co-operative system will be exploring this idea with the federal and provincial governments. Such land transfer co-operatives - at least one per province - would be controlled by farmers and would act as an intermediary between selling farmers and first time farm buyers. Transactions between the seller and the co-operative would receive the same or similar tax benefits as transactions between father and son. Part of those tax benefits - that would not otherwise be available to the seller - would be passed on to the purchasing farmer, who would have to meet certain qualifications. The qualifications could relate to the non-ownership of other farm property, age, residence, etc. We urge the federal and provincial governments to look favourably on these proposals as the need to

make farming accessible to young people who are not farm heirs grows more serious each year.

Financial
Co-operatives

The financial co-operative sector has been growing rapidly in recent years as we noted in Chapter 2. Credit unions, caisses populaires, co-operative insurance companies and co-operative trust companies have all participated in this growth. The development priorities for these co-operatives reflect the current restructuring of the entire financial sector and the expanded role which co-operatives hope to play within it.

Credit unions and caisses populaires have long been pioneers in introducing new technologies and financial services to the Canadian consumer. (See Appendix A for examples.) They are dedicated to continuing that tradition and have established development priorities which reflect that. These include:

- Continued development and integration of shared automatic teller networks and other advanced delivery systems

- Creation of one-stop integrated financial centres offering credit union, trust, and insurance services under one roof

- Special financial advisory services that can assist members in making budgeting and investment decisions

- Development of better system co-ordination through greater information sharing and joint planning

- Exploration of new communication technologies that will enable not only home banking but greater member involvement in financial co-operative policy and direction.

Credit unions and caisses populaires are concerned that regulatory problems not handicap them in offering these new services. In many current

discussions of financial deregulation financial co-operatives are overlooked. Governments at both the provincial and federal level have a responsibility to ensure that they are creating a "level playing field" which is open to credit unions and caisses populaires as well as other financial institutions. In that regard the credit union and caisse populaire systems are anxious that the federal government speed the adoption of the many long-awaited amendments to the federal Co-operative Credit Associations Act which will ensure that credit unions and caisses populaires are not hampered in competition by unfair regulations.

Unfortunately, the rapid growth of the last fifteen years has created another priority for credit unions and caisses populaires. That growth depleted their financial reserves (see Chapter 3), and in many parts of the country the single most important development priority, on which all other priorities are contingent, is the rebuilding of a healthy reserve base. This problem is not unlike the balance sheet problems facing other financial institutions, all of which suffered during the last recession.

Insurance and trust co-operatives are exploring the same opportunities in new financial services and technologies that credit unions and caisses populaires are. We expect to see greater integration of various financial services, and as that happens the co-operative system should be well placed to take advantage of it.

Financial co-operatives will also be exploring ways of taking a larger role in stimulating economic development in the communities they serve. Co-operators Insurance, for example, is studying ways of creating co-operatively based community development organizations serving co-ops and small businessmen. Les Coopérants, a Québec-based insurance co-operative, offers introductory courses in economics and international co-operation. In these and other ways, financial co-operatives plan to become more than merely lenders or insurers and will continue to expand their leadership roles in their communities.

Retailing Co-operatives

Retailing co-operatives have not experienced the growth of the agricultural and financial co-op sectors over the past two decades. In fact, the retail co-operative sector has encountered difficulty expanding in several parts of the country - most notably urban areas in British Columbia and Ontario. There is no agreement within the sector as to why development has been difficult.

The one part of the country where development has proceeded quickly has been Atlantic Canada and success there seems to be mainly the result of a new retail co-operative model, the direct charge co-operative (described in Chapter 3). The model has also been successful on Vancouver Island. The direct charge approach, which requires a substantial equity investment by members, appears to create a high degree of member commitment and makes new co-operative development less risky since the member equity is pledged from the start.

The retail co-operative system is now re-evaluating its structure and exploring ways to build member commitment and expand sales. The direct charge model will be a particular focus of interest and experimentation. The retail sector is also studying opportunities to form closer links with producer co-operatives, particularly in food areas like fishing and agriculture. Joint processing facilities are a possibility as are marketing agreements. In the longer term retail co-operatives look forward to links with the credit union and caisse populaire systems through on-line terminal networks in co-op stores.

Other Co-operative Sectors

Co-operatives have established a presence in other sectors as varied as forestry and day care. Though the impact of such co-operatives is small in the context of the entire economy, they play a significant role in individual communities. Forestry co-operatives hold great potential for

improving returns to, and reducing the risks of, independent harvesters. Day care co-operatives have brought more responsive and lower cost child care to thousands of parents. Though no complete census exists, we estimate that several hundred day care co-operatives are operating nationwide.

A particularly noteworthy opportunity for co-operative development lies with native peoples. Fishing, crafts, and harvesting co-operatives have all proved viable in remote communities. They promote not only economic self-determination but also cultural and community cohesiveness. The federal government should be particularly aware of co-operative opportunities as it refashions its northern development policy in the coming years. A priority could be the development of locally controlled investment co-operatives for the management of native funds.

Co-operative priorities are as varied as the needs of their members. The co-op system and governments should be wary of failures of imagination in deciding what sectors of the economy might benefit from co-operative development. Fortunately, co-operatives do not require grand development designs - they can flourish wherever people are aware of their potential and have the organizational and technical skills to create them.

WORKER CO-OPERATIVES: AN IDEA WHOSE TIME HAS COME

We believe that the development of worker-owned co-operatives in all areas of economic activity will become the next great frontier of the co-operative movement. Worries about job creation and preservation are universal in Canada, and a growing number of co-operators are concluding that worker-owned co-operatives could be significant generators of stable and lasting employment. With mill town residents in British Columbia, among Prairie farmers, in Toronto and Sudbury, in Québec and Cape Breton, in Moncton and St. John's, we heard repeated interest in the potential of worker-owned co-operatives.

Such interest is not suprising given the concern in the country over high unemployment, stagnating productivity, and declining competitiveness. Increasingly, Canadians are questioning the responsiveness of our existing institutions to the economic challenges we face. Worker-owned co-operatives hold the promise of creating a new dynamic in our traditional industries - a dynamic based on full worker involvement and participation in business.

A New Economic Concept

Worker-owned co-operatives are business enterprises where the workers own the shares and where each worker has one vote. All those who work in the enterprise are members (although there may be a trial period before membership). Managers too are usually members. Each worker in the enterprise owns a significant share in the capital of the company. She or he purchases a share on joining the company which grows as the enterprise matures. Workers run the enterprise through a strong democratic control structure which sets goals and policies and chooses managers who make the day-to-day decisions.

This form of ownership alters many of the basic concepts and relationships of our existing economy. A payment to capital becomes a payment to labour. Workers have a vested interest in good management. Owners have the worker's interest at heart since they are the workers. Worker co-operatives are committed to the ongoing education of their members in order to ensure that co-operative principles and ideas are understood and guide the daily operation of the co-operative. Such education also ensures the development of skills needed to make the enterprise successful.

The Scope of the Opportunity

To be sure, worker-owned co-operatives are not a panacea. They do not instantly solve all the problems of our economic lives. What they do offer us is the opportunity to cope with many problems better. Over the

last decade Canadians have been troubled by unemployment, pervasive foreign ownership, low productivity, poor labour/management relations, stagnating regional development, and increasingly centralized economic control. The very structure of worker-owned businesses creates opportunities to ameliorate these difficult problems. Specifically, worker-owned co-operatives can have the following benefits:

- Higher Productivity - Under foreign competitive pressure North American business has recently rediscovered the important contribution which a highly motivated, trained and involved labour force can make to business success. Worker co-operatives create an environment in which each worker has maximum incentive to improve productivity and enough knowledge of and participation in business decisions to make suggestions that really count.

- Better Labour Management Relations - The adversary nature of worker/management relations disappears in a worker-owned co-operative. Labour/management problems still remain and structures must exist to deal with them, but where workers are owners, a spirit of trust replaces the continual conflict, tension and distrust inherent in "traditional" private ownership forms.

- Employment Stability - When workers own their own companies, they are better able to seek ways to avoid unemployment. They plan for employment stability with energy equal to their planning for a return on investment. Like public policy makers, they have employment stability as a priority goal.

- Effective Regional Development - Worker-owned models for developing new enterprises hold great promise for regional development. Local people are involved from the start in a form of self-help development which ensures that most of the benefits of development remain in the local area. Outsiders do not have to receive huge incentives to do things that are not actually in their interest.

- Canadian Ownership - Worker owners are not foreign owners. Indeed, they are local residents with a commitment not only to Canada but to the economic growth and stability of their province and their community.

- Lower Social Costs - To the degree that worker co-operatives can create a more stable economy, there will be less call on the government for expenditures related to current instability. Unemployment insurance, health, welfare, and numerous other social costs will be better contained with a more stable economy. Worker co-operatives will tend to pass on lower environmental costs and occupational health costs in particular.

Perhaps the most valuable outcome of the growth of worker-owned businesses would be the development of a sector of the economy based upon the same democratic principles as our political system. The growth of worker-owned industry can provide an enrichment of the level of democracy in our society.

The Success Of Worker Co-operatives Abroad

All of the potential benefits from worker co-operatives mentioned above have been realized to one degree or another in the experience of other countries. In Italy, France and especially in the Basque region of Spain, the theoretical potential of worker-owned co-operatives has been proven. In France there are close to 500 worker-owned businesses; in Italy, more than 2,500. While development has proceeded more slowly in the English-speaking world, the last few years have seen tremendous growth in the United Kingdom and the U.S.A.

It is, however, the co-operatives of the Mondragon network in the Basque region of Spain which have achieved the most solidly successful record. They have succeeded in making progress toward all of the potential benefits of workplace democracy discussed above. An indication of the

potential which worker co-operatives could have for Canada is given by a brief summary of the Mondragon system's accomplishments:

- The co-operative network is the largest producer of machine tools and household consumer durables in Spain and a major producer of dozens of other finished products and components ranging from auto parts to bathroom fixtures.

- The worker co-operative network averages 12% higher productivity than the comparable private sector in Spain.

- There has been only one business failure since 1956 among the over 100 industrial firms created.

- In the recent depression in Spain, there were only two months during which unemployment insurance was being drawn by worker co-operators. During one month 153 and in another month 150 drew benefits. With a work force of over 22,000, this represents an unemployment rate of less than 1/2 of 1 percent.

- There has been only one strike since 1956 in the worker co-operative movement. At the same time co-operators have been very supportive of the development of the union movement in the Basque provinces. A result of the strike was a set of improvements in how all Mondragon co-ops deal with labour/management issues.

- Absenteeism has been significantly lower in the Basque worker co-operatives than in the rest of the Spanish private sector.

- The network created a successful co-operative savings and development bank which mobilizes capital in the region through personal savings and makes it available to co-operatives. The bank also has an entrepreneurial arm which helps groups of workers to launch new co-operatives at a rate of three to four a year.

- A research and development institute, dedicated to ensuring that the system is on the leading edge of technology, has over 60 engineers and scientists.

- A co-operative social security system provides a full range of social benefits, including: family allowance, unemployment insurance, workers' compensation, pensions, medicare, and an occupational health program. The benefits of these programs are set at a level higher than those of the Spanish state.

The Growth of Worker Co-operatives in Canada

Over the past decade there has been growing interest throughout Canada in alternative economic institutions to create jobs and encourage economic stability. A variety of options have been tried including partial worker ownership, complete worker ownership, groups of service sector workers who pool their work (e.g., window washers), and community development corporations which develop community owned and controlled enterprises.

There has also been a growing interest on the part of governments at all levels. In Québec the provincial government has supported the emergence of worker-owned enterprises on a case-by-case basis through existing programs and through the Société du dévéloppement co-opératif (SDC). Québec has also initiated a program in the Department of Industry, Commerce and Tourism to assist groups wanting to support community and co-operative business development. Fifteen such groups have received provincial funding. The SDC has assisted some 35 worker-owned co-ops, most during the last three years.

The government of Newfoundland has also been actively working in the employee-owned co-operative area and supported a conference on worker co-operatives this spring in co-operation with the Newfoundland-Labrador Federation of Co-operatives. A similar conference was held in Nova Scotia in

1982 sponsored by the St. Francis Xavier University Extension Department, and some Alberta co-op groups held a conference on worker co-operatives in May.

While no complete census of worker-owned co-operatives has been done, we estimate there are 70 to 80 worker-owned co-operatives in Canada today. Most are small with fewer than 20 employees, and all have encountered difficulties in assembling the necessary development inputs to ensure success.

Keys to Successful Development

In studying the experience of worker-owned co-operatives in Canada and abroad, it has become clear that the degree of success has a direct relationship to the degree of worker commitment and the availability of development assistance. Analysis of successful and failed worker co-operatives indicates that most development problems relate to the following development inputs:

- Financial Expertise
- Management Expertise
- Planning Capacity
- Technological Information
- Marketing Expertise
- Co-op Organization Expertise
- Start-up Funding
- Adequate Member Equity
- Legal Expertise
- Ability to deal with governments when necessary

Worker co-operatives need dedicated support organizations which can supply these development inputs or which can tap other resources on their behalf. Experience in the U.K., U.S.A., France, and Spain demonstrates that these inputs can best be provided by some form of co-operative development agency and that this can most effectively be done at a local or regional level. The French and Spanish experiences show that when such development inputs are adequately delivered, very low failure rates result. Their experience also shows that worker co-operative development institutions can become self-supporting.

Experience in other countries also indicates that the development of networks of worker co-ops on a regional basis has a very strong positive impact upon the stability of individual enterprises and overall rates of development. In the Spanish case the evolution of a regional worker co-operative network linked together through a central bank and development institution has been most impressive in terms of both growth and stability.

Another feature of the Spanish system which seems to have significant potential for ensuring co-operative success and stable growth is the existence of significant worker equity investments. Such shares, often purchased through loans paid back over the first several years, solidify the concept of worker as owner and raise the level of worker commitment to the enterprise.

Worker co-operative development can occur in a number of ways:

- Greenfield Development - Where a number of workers form and develop a new business where none previously existed

- Conversions - Where employees of a successful operating enterprise purchase it from its owner

- Rescues - Where a failing company is taken over in an attempt to make it viable under a new form of ownership.

Each of these forms of development has its own advantages and problems, but it is fair to say that rescues are by far the most problematic. Businesses usually fail for a reason (often many reasons) and making them viable while at the same time effecting a major shift in ownership form presents great difficulties. Though none of these options should be ruled out, we believe the first two alternatives offer the most promise.

Fostering Worker Co-operatives In Canada

We do not believe that the development of worker-owned co-operative enterprises in Canada will be easy. Nor do we see them as a quick fix for all of the economic problems which face us. Rather, we see the promise of their development as a long-term contribution to solving our economic problems and creating a more productive, stable, and democratic economy. We believe that the development of worker-owned co-operatives can be enhanced through a supportive partnership of the co-operative sector, government, and those directly involved. The role of the co-operative sector should be to ensure that co-operators who wish to develop these new forms of co-operative institutions benefit from the experience of the sector and are assured of all reasonable encouragement and support. The role of government should be to create a climate in which such innovative enterprises can develop and flourish and to ensure that access to development inputs and support is equal to that already available to established economic institutions. Those directly involved must be prepared to commit themselves to investing their energy, time, and resources and must be willing to take the necessary risks.

In keeping with this approach, we strongly endorse the development of worker co-operatives in Canada and recommend that:

Recommendation #11

A support system to assist worker co-operatives should be created under the direction of the co-operative system, but in partnership with the federal government and interested provincial governments.

To carry out this recommendation, we recommend that:

Recommendation #12
An Implementation Steering Committee should be created with representatives from the established co-operative movement and emerging worker co-operatives with a mandate to develop models and guidelines for worker co-operative development, examine the legislative environment, and formulate a plan for the creation of regionally based worker co-operative development assistance agencies that will specify the respective roles of the co-operative system, federal and provincial governments, and local worker co-op organizing groups.

More specifically, the Implementation Steering Committee should have the necessary resources to:

- Develop a plan for the creation of worker co-operative development agencies on a regional basis linked together through a co-operative coordinating group that can provide national leadership, promote information sharing, carry out research and handle liaison with government. The development of these regional groups and all national coordination must take account of the different contexts of co-operative development in English and French Canada.

- Examine the options available for ensuring that individual worker co-ops and the regional development agencies evolve into self-sustaining and integrated support networks in each region.

- Document which existing federal and provincial economic assistance programs could be used to support the development of worker co-operatives.

- Examine federal and provincial legislation governing co-operatives, corporate registration, taxation, and labour law to determine what changes are needed to create a favourable climate for worker co-ops. Model legislation could also be drafted.

- Develop the mechanisms by which the existing co-op sector can best support new worker co-ops including:

  - National leadership and lobbying support
  - Financing through the co-operative financial system
  - Marketing advice and opportunities from the retail system
  - Technical assistance in co-op management, financing, data processing, insurance and other areas
  - Spreading the concept through the co-op system.

- Investigate the usefulness of a risk underwriting fund to finance business development activities until permanent financing is arranged.

This Implementation Steering Committee can make use of all the existing resources on worker co-operatives both within and outside the co-operative system in Canada. It should also be able to take advantage of all the lessons learned in worker co-operative development in other countries. The Committee will provide the co-operative system with a chance to focus continued discussions about worker co-operative development on a concerted plan of action.

As is evident, the development of a support system for worker co-operatives will require a fair amount of resources. The co-operative system can provide leadership, technical assistance, and coordination of the effort, but federal assistance will be critical as well. We therefore recommend that:

Recommendation #13

The Government of Canada should endorse worker co-operatives as a priority vehicle for employment generation and make joint funding assistance available to the co-op movement for the staff work of the Worker Co-op Steering Committee, for regional development assistance agencies, and for the creation of a pool of start-up funds or start-up guarantees for individual employee-owned co-operatives.

The federal government has already indicated its interest in encouraging companies to give workers a greater stake in firm profitability and ownership. The recent budget paper on "Gain Sharing for a Stronger Economy" proposed the creation of a tax incentive for registered corporate profit sharing plans as a means of promoting better labour/management relations, higher productivity, and ultimately greater industrial competitiveness. We believe that the development of worker co-operatives would build directly on the budget paper suggestions and help secure each of the individual benefits the government seeks. If the federal government proceeds with its proposals, and we hope it does, worker co-operatives should certainly be included in any incentive scheme since they represent a 100% "sharing" of profits with the workforce.

HEALTH SERVICES CO-OPERATIVES: A BETTER SYSTEM OF DELIVERY

Most Canadians express a high degree of satisfaction with the availability of health services in our country. Hospital and medical care are generally provided without charge to the immediate user, a feature of the health system that greatly contributes to the economic security of the average Canadian family. At the same time, there is mounting concern about the perceived vulnerability of existing arrangements. Health costs represent a large slice of the public expenditure pie at a time when the federal and provincial governments are hard-pressed by ballooning deficits. The

pressure to cut costs is making itself felt on health budgets, and medical groups charge that our health services are "under-funded".

Recent federal legislative action to curb overbilling and user charges is an attempt to reassert more strongly the long-standing and highly valued universality of our health insurance system and, particularly, its "first dollar coverage" characteristic. The effectiveness of the new legislation remains to be tested. Meanwhile, the feeling persists that our health system is threatened with gradual erosion.

There is a considerable measure of paradox in the present situation because Canada has so far been remarkably successful in constraining the growth of health costs to the general level of inflation. In Canada the proportion of national resources devoted to health services has remained stable as a percentage of GNP for the last ten years. This is in stark contrast to what has happened in other countries, in particular the United States.

Notwithstanding our success to date in moderating health cost inflation, the growing pressure of deficits on public finances and increasing demands for health care suggest that future increases in health costs may be more than most governments can afford. At least two pressures will increase future demand for health. In the first place an aging of the Canadian population will begin to increase health care needs, and in the second place the rapid pace of medical and technological advances are constantly opening up new possibilities for effective though costly intervention.

For all these reasons, this appears to be a time when there must be a renewed commitment to search for more effective ways to provide health care. If the cherished characteristics of our health insurance system are not to be undermined or gradually eroded, Canadians will have to learn to do more with less.

We believe that health services co-operatives offer a unique opportunity to improve our system of health delivery and contain its costs in the face of continuing inflationary pressures. To understand the

contribution that co-operatives could make in the health services delivery system one must look beyond the financial aspects of the present situation. The development of health service co-operatives would not affect the payment of care system that has been so successful in extending health care to all Canadians. Health co-operatives would, however, encourage an innovative, prevention-based approach to health services delivery and a reduction in traditional health care costs.

A Preventive Approach to Health Care

It is more and more widely recognized that health promotion and maintenance is not simply a question of getting "services" but must involve the individual in an active way in his/her own health. The concept of prevention is itself too narrow in that it suggests preventive services such as immunization whereas choices in lifestyle including smoking and drinking habits, diet and exercise must be central to health promotion. Moreover, for the sick, for the aged, and for the handicapped health maintenance is not merely a question of "services" to be obtained but also, and sometimes more importantly, a question of learning to cope.

In all of this the goal is not just to shift the balance of health care away from an exclusive reliance on services towards prevention, self-help, health education, and lifestyle adjustments but also to check possible "over-consumption" of services, including unnecessary surgery, abusive use of prescription and over-the-counter drugs, and misdirected and therefore unsatisfactory medical consultations. In many cases abusive use of health services is not just a financial irritant but actually creates health problems.

Health co-operatives are admirably suited to creating a prevention based approach to health care because they are based on the active involvement of their members. However well-intentioned may be the efforts of government-run or private-for-profit clinics and health centres, they cannot provide the essential ingredients in this different approach which consists of a commitment by "patients" or "clients" to an active involvement in the promotion and maintenance of their own health. In this regard there

are not significant differences between health co-operatives and non-profit community clinics - both of which serve defined communities on a voluntary basis. We would suggest that the membership aspects of such clinics are important to their success, and the greater the sense of membership in a clinic, the more likely that it can achieve its full potential as a prevention-oriented system of care.

A Cost Effective System

Health co-operatives not only represent a prevention based approach to health care but can also help control long-term health costs. Experience has shown that health co-operatives can do a more efficient job for their members in spending the aggregate health dollar now distributed by governments and in the process allow their members to benefit directly from the savings that they generate. These savings come from reduced utilization rates of the expensive specialized services including hospitalization and elaborate tests. Extensive U.S. experience has shown that savings of the order of 10% to 40% can be achieved while maintaining at the same time a high level of member satisfaction and as high or higher levels of effective health maintenance.

At the present time in Canada, no health co-operative has had the opportunity to fill the role that we envisage could be performed by such co-ops. For that to take place requires important changes in government policies and, indeed, when one considers the legal and financial obstacles and the institutional constraints, one is surprised to find that health co-operatives, in some form or another, exist at all.

Some ten health services co-ops can be found that cater to about 100,000 people, mostly in Saskatchewan. Throughout Canada there exist well over two hundred Community Health Centres and other non-profit, community-based health delivery organizations. Outside Québec, they were formed predominantly by community groups and are managed by local boards whose membership makes them quite similar to co-operatives. In Québec the local Community Service Centres (or CLSCs using the French acronym) have

been set up at the initiative of the provincial government and as a government program, although their boards provide for community participation. Through these various groups about 10% of the Canadian population are now availing themselves of health care organizations that have some of the features of health co-operatives.

Because of the less structured system for the delivery of health services that prevails in the United States, health care co-ops in the full sense of the word have been making important strides there in the past two decades. Over twelve million Americans are members of co-operatives or other health maintenance organizations, a figure that has been increasing rapidly because experience has shown that they can provide equivalent or better services to their members at a comprehensive, prepaid cost that is as much as 40% below that charged by indemnity insurance plans.

This potential has been recognized by all the major studies of alternative health services delivery systems carried out in Canada over the last twenty years. Recommendations about the desirability of setting up community health centers can be found in each of the following reports:

- The Hall Commission on Health Services (1964)
- The Castonguay Commission on Health and Social Services (1970)
- The Hastings Report on Community Health Centers (1973)
- The Ontario Economic Council report on health care (1976)
- The Mustard Commission for the Ontario Government (1983)

Seizing the Opportunity

The Task Force believes that the opportunity to develop health co-operatives will never be greater. There is already a large body of experience in Canada with non-profit community-based health care which can be built upon, and small groups of health providers and consumers across the country are eager to take advantage of that experience and expand the system of co-operative health care. The co-operative system can greatly assist these local activists by taking a leadership role in promoting health co-operatives. We therefore recommend that:

Recommendation #14

The co-operative sector should take the lead in spurring the creation and growth of co-ops in the health sector.

The leadership role that must be played by the co-operative movement in this area goes beyond its own members or even the general public. Success can only come if co-operators, health practitioners, ministers and civil servants, and interested Canadians come together to discuss an agenda focused on how co-operative health care can best be developed. We therefore recommend that:

Recommendation #15

As an immediate step toward disseminating the concept and building public, provincial government, federal government, and health care system support for it, the co-operative system should sponsor a nationwide conference on Developing a Co-operative System of Health Care Delivery. The conference should be directed by a co-operative steering committee, coordinated with the federal and provincial health departments, and financially assisted by the federal government.

Starting New Health Services Co-operatives

What this Task Force is proposing in the field of health services may not be without precedent, but it is boldly innovative. In addition, it is innovation that would take place in an area where the presence of governments is now very strongly felt. Indeed not only are health services almost entirely financed by governments, but the whole field is operating under very comprehensive government regulations.

The government financing and regulatory approaches have been successful in removing financial barriers to access by the individual, but confronted by acute financial problems, governments may be reluctant to allow innovation and a relaxation of their regulatory approaches to health care unless it can be demonstrated to them that the suggested course of innovation holds considerable promise. This argues in favour of close rapport between the co-operative system and provincial ministries of health whose support will be crucial to building a co-operative health sector.

Progress towards a full-fledged system of health services co-operatives can only take place gradually. Research, consultation and discussion will constitute the first steps out of which will surely come many ideas for further development. However, we are convinced from the experience of health co-operatives and community health clinics to date that an initial phasing-in period will be necessary to test new ideas and approaches. In order to make this possible, government assistance will be necessary to provide prospective co-operative organizers with technical assistance and start-up funding.

Conditions, attitudes and policies vary from province to province and the same can be said about the strength, orientation and priorities of the co-operative system in each province. Efforts to start new health co-operatives must be sure to take these regional variations into account. We therefore recommend that:

Recommendation #16

In each province, an independent health co-operative development assistance group should be set up and operating grants should be made available by governments for this purpose. The federal government should assist the provinces in funding the start-up costs involved in helping health co-operatives to get organized and in bridge financing for their initial phase-in periods.

A New Financing Approach

The long-run success of co-operatives in fulfilling the potential we have outlined above will depend in large part on how free they are to innovate in the provision of services, and that freedom in turn will depend on how they are funded. Currently, health co-operatives and community clinics survive on a variety of funding models ranging from line-by-line and global budgets similar to hospitals to partial per capita funding systems which give clinics the average per capita cost of primary care in the province for each of their patients. All of these systems create problems and make it difficult for co-operatives to innovate. In none of them is the entire per capita health care dollar being given to co-operatives to be managed as effectively as their membership sees fit. Restricted by their funding models, co-operatives and community clinics must continually lobby provincial bureaucrats for most new program offerings. If co-operative health care is to fulfil its potential, a new funding model will need to be developed.

A guiding principle is that innovation and flexibility in health services requires innovation and flexibility in capital formation and operating funding. No single funding model will suit all co-operatives and community clinics. However, we believe that the long-term development of co-operative health care will be greatly served by the creation of a special co-operative health care funding option that allows for total freedom in the management of the health care dollar. Therefore, we recommend:

Recommendation #17

Provincial governments should allow health co-operatives to be set up to manage the aggregate per capita health care dollar, including that part going into hospital services, for people who voluntarily enroll in such co-ops. Funds would be allocated to co-ops on the basis of a capitation payment equal to the average per capita health care cost incurred under the existing system for each actuarial class of people grouped by age, sex, etc. Health services co-ops would be allowed to use, in the ways they choose, the surpluses made available by more efficient use of health services by their members.

As indicated above, American and Canadian experience with health care co-operatives suggests that substantial savings can be achieved through more efficient use of costly services and the preventive approach that co-operatives foster among their members. Each co-op would have to make decisions on the use of the surpluses it generates, but in the health and social services field the candidates for extended services - at present not insured under the Canadian health insurance system - are many: prescription drugs, dental care, psychological consultations, etc.

Toward a Co-operative Health Sector

Informed of possible substantial savings in the operation of health services, some people might suggest that the conditions that make such savings possible should be applied by legislation, if necessary, to the entire health delivery system. We do not believe this to be possible nor even desirable. This is because the conditions required to achieve the savings we have discussed go beyond administrative, organizational or financial

arrangements and extend to the nature of the relationship between the provider of health services and the consumer. In other words it requires changes in the behaviour and expectations of the health consumer.

The extent of those changes should not be exaggerated, but we believe that the best way to have them accepted is to offer, as an option, a co-operative health services delivery mode with its attendant advantages and to make recourse to this option a voluntary decision by the consumer. The option could be exercised for a fixed period of time (say one year) and would imply not only an opting-in to the co-operative health delivery system but a concurrent opting-out from the present individualistic health delivery system. In summary, we recommend that:

Recommendation #18

The Canadian health insurance system should be modified to allow for an alternative mode of health services delivery based on the co-operative model. Participation of individual citizens in this alternative co-operative mode would be at their sole discretion, although it would be for a fixed, renewable period (say a year) and, in that context, would entail an exclusive commitment. The general characteristics of the health insurance system: public administration, universality, portability and comprehensiveness would remain as they are now.

Our proposal would not change the public financing and administration, universality, and comprehensive coverage now available under the Canadian health system. It only requires that current health services expenditures at the provincial level be split up in two parts. The first part, say Part "A", would continue to be used as it is now to pay the operating costs of hospitals and to pay doctor's fees. The second part, say Part "B", would be used to pay, in monthly instalments to health co-operatives, a capitation fee just equal to the average annual per capita costs of all medical, hospital, and other health services in the province. A

health co-op would then use these capitation fees either to purchase from providers of health services the services needed on behalf of its members, or would provide the services itself if that were more advantageous. In effect, the health co-op would manage the share of total health costs corresponding to its membership and would have an incentive to perform this function to the satisfaction of its members (otherwise it might lose them) and as economically as possible (otherwise it might cease to exist or, at least, could not offer any inducement to join in the form of otherwise non-insured services).

The relative sizes of Part A and Part B in provincial health budgets would not have to be decided a priori by government or anyone else but would simply reflect the level and growth of the health co-operative sector membership. For physicians and for hospitals this involves no possibility of double billing and raises no spectre of an administrative nightmare. All medical services and hospital admissions already are tagged with a patient's identification number. Hospital financing already provides for deducting revenues of all kinds before computing government grants. Systems could easily be put in place to make sure that all the services provided to health co-op members are charged back to the co-operatives and that providers are only paid once for services rendered. None of the above involves any departure from the basic characteristics of the Canadian health insurance system.

This avenue for enlarging the application of the co-operative ideal has something to offer everyone. For the individual Canadian it provides the opportunity to share responsibility for the maintenance of his/her own health; for communities it harnesses the ingenuity, the inventiveness and the flexibility of small organizers to create innovative concepts and styles of health services delivery; for minority groups of various kinds it offers the possibility, because of the elective basis upon which co-operatives would recruit their members, to provide a focus for community life, interaction and identification; for the country and for governments it provides the potential of substantially enhanced efficiency and a mechanism for allocating the resulting savings to the priority health care needs that will otherwise come to rest at the door of governments.

FISHERIES CO-OPERATIVES: THE OVERLOOKED OPPORTUNITY

Bordered by two oceans, Canada is enormously rich in fisheries resources. We are the world's leading exporter of fish, selling more than a billion dollars worth in 1981. Although the fisheries industry accounts for something less than one percent of Canada's overall Gross National Product, it is, nevertheless, extremely important to Canada - and critical to the many regions, ports and communities along our shorelines. In many towns and villages along Canada's coasts, people depend entirely on the fisheries industry for economic survival and the preservation of a way of life.

The pitfalls in the fisheries industry are many and well-publicized. The demand for fish on world markets is subject to wild swings, fueled by international economic and supply considerations. Local harvests are affected by weather, resource management practices, and by the local catch of foreign competitors. Depressed regional economies make capital formation a formidable task. But it is under these conditions that co-operation often thrives. There are over 80 fisheries co-operatives in Canada, with at least 12,000 members. Close to 50 fisheries co-ops are operating along the East Coast - thirty of them united in a marketing/processing federation, the United Maritime Fishermen's Co-op. Most Newfoundland fisheries co-ops also belong to the Newfoundland-Labrador Federation of Co-operatives, which actively supports co-operative fisheries development throughout that province. On the West Coast there are over 20 fisheries co-ops, the largest of which - Prince Rupert Fishermen's Co-op - reported sales of over $52 million in 1983.

People join together to form fisheries co-operatives for many reasons. They need to pool the resources required for costly storage and processing facilities. They need sales and marketing clout to compete with large corporate producers. But most of all, these people share a deep commitment to their communities and to their chosen way of life, and they see co-operation as the best way to protect both. Fisheries co-ops are not governed by the needs of capital; they are governed by the needs of people. Certainly, fisheries co-ops exist to maximize the economic returns to their owners, but the co-op will not close down or move in response to a low

rate of return on capital relative to other industries or to other regions of Canada. Thus, fisheries co-ops serve as stabilizing organizations in highly uncertain regional economic environments. Prince Rupert Fishermen's Co-op has developed a unique co-operative system which effectively combines the fisheries co-operative with a credit union and a co-operative store. This system has very successfully protected the fishermen and the community from major economic shifts and shocks for many years.

Fisheries co-ops are also very attractive organizations from a public policy perspective. They are ideal vehicles for regional development - encouraging an industry that makes sense for Canada's coastal regions, promoting local ownership and control, and providing a commitment to development over the long haul. Equally important, fisheries co-ops can also be highly efficient organizations garnering the necessary member commitment and participation to effectively minimize costs.

For all of these reasons, we believe that co-ops are particularly well-suited to assist in addressing the enormous challenges facing the Canadian fisheries industry. Resource management and fleet rationalization have emerged as key concerns on the West Coast. Profitability pressures have affected the entire industry, acquiring crisis proportions in Eastern Canada - the profitablity spiral in 1981-82 saw declining prices and demand for fish, increasing costs, and stockpiles of inventory to be financed at record high interest rates. The Québec fisheries industry has faced similar problems.

Throughout this difficult time fisheries co-ops have been hanging tough across the country, relying on member support and accumulated reserves to weather the storm. Some have not made it - Pêcheurs Unis, Québec's largest fisheries co-op, failed in 1983. But overall, fisheries co-ops have found ways to survive with little or no government assistance.

Non-co-operative fisheries businesses have not all fared as well. Many of these companies have shut down parts or all of their operations -

wreaking economic havoc in many communities. Many other businesses have survived only with substantial government financial assistance - witness the recent $200 million aid package to National Sea Products of Halifax.

Fisheries co-ops face the same competitive and profitability pressures that characterize the entire East Coast fisheries industry, and they intend to continue to meet the challenges of the local and international market place. They are concerned, however, about unfair competition resulting from massive government subsidization of some private sector businesses. Co-operators in the fisheries industry worry about being shut out of an intensely competitive market because they cannot use subsidies to lower their selling prices. We therefore recommend that:

Recommendation #19
The federal government should assure that fisheries co-operatives and private producers receive similar financial treatment, recognizing that co-operatives can be severely injured by unfair competition.

Including Co-ops
In National Initiatives

The problem of unequal financial treatment for different types of organizations in the fisheries industry is perhaps symptomatic of a lack of federal government understanding and contact with parts of the fisheries co-op sector. Other examples also illustrate this problem. Responding to the difficulties of the 1980s facing the Atlantic fisheries industry, the federal government appointed a study group headed by Michael Kirby to propose solutions for the industry's problems. While such an initiative was praised by all those concerned about the future of the Atlantic fisheries, co-operators were disturbed that the Task Force did not include any representatives of the Atlantic fisheries co-ops. Unfortunately, the study completely ignored co-ops and their important role in the Atlantic fisheries industry. In overlooking co-ops, the Kirby Report proceeded to recommend the establishment of a regional fish marketing board which would, if

implemented, threaten the very existence of an existing co-op organization performing a similar role, the United Maritime Fishermen's Co-op. Similar misunderstandings and ignorance of the role of co-operatives are evident in the report of the Commission on Pacific Fisheries Policy (Pearse Report).

Co-operators in the fisheries industry believe that effective co-op representation within the federal Department of Fisheries and Oceans would go a long way to improving communications and understanding between fisheries co-ops and the federal government, and would also constitute a valuable resource group within the Department that would be aware of the unique nature and needs of co-ops. We therefore recommend that:

Recommendation #20
The federal government should establish a central division within the Department of Fisheries and Oceans to represent and serve fisheries co-ops, and to enhance their visibility within the Department.

Developing Fisheries Co-operatives

Although there is a tendency to concentrate on the problems facing the Canadian fisheries industry, there is also an enormous opportunity to maximize the benefits to Canadians of our abundant fisheries resources. But enhanced development of the Canadian fisheries industry will require significant capital investment; storage facilities and processing equipment are particularly costly. Fisheries co-ops satisfy these capital requirements by pooling the resources of their members, often by retaining a portion of the fish producer's revenue for a certain period of time. Co-op members support this capital formation model and are very willing to invest part of their current income in the future of the co-op. However, the co-op member must pay income tax on this investment as if it were received as cash -

imposing a significant limit to and disincentive for greater investment in the co-op. Recognizing the unique capital formation needs in the fisheries sector, we therefore recommend that:

Recommendation #21
Taxation of capital deductions from fisheries co-op member revenues should be deferred until the revenue is received by the members in cash.

This measure would greatly contribute to needed capital formation in fisheries co-ops relieving co-op members of paying income taxes on revenues that have not yet been received.

We believe that co-ops on the East Coast can play a central role in fulfilling the promise of a strong regional fisheries industry through the development of successful new co-operative businesses. Each year, the United Maritime Fishermen's Co-op (UMF) and the Newfoundland-Labrador Federation of Co-operatives (NLFC) receive many requests for technical and financial advice from small co-ops and groups of fishermen interested in forming co-operatives. While UMF and NLFC have the co-operative and business know-how to help these groups, they unfortunately do not have either the financial or human resources necessary to assist as many as they would like. We believe that a little seed capital from the federal government in this area would provide enormous returns in regional development of the fisheries industry. We therefore recommend that:

Recommendation #22

The federal government should endorse the request of the Maritime fisheries co-ops that a technical resource group, jointly funded by the government and the co-operative fisheries sector, be formed to help the emergence of new fisheries co-ops, provide co-ops with technical management support, and train and educate members. A similar program could be set up in Québec or Québec fishermen could collaborate with the Maritime regional resource group. Funding should also be given to the Newfoundland-Labrador Federation of Co-operatives to make similar assistance available in that province.

Finally, we would like to emphasize yet again that the development of the co-operative fisheries sector is a proven means of locally directed economic development. Despite spending vast sums of money, centrally administered programs of regional economic development in the fisheries industry have not been effective over the long haul. To be successful, regional development has to involve the leadership, commitment and participation of local people with an economic stake in their businesses and their community. Co-ops provide that kind of model.

HOUSING CO-OPERATIVES: A PLURALISTIC ALTERNATIVE

Co-operative efforts by Canadians to provide each other with housing have a long history. The first co-operatives involved in providing housing were in Cape Breton in the 1930s. These were building co-operatives where individuals worked together to build each other's homes, purchased materials and supplies as a group, but assumed individual ownership upon completion. High land costs, high interest rates, the growth of a large scale building industry, and rapid urbanization stalled the development of such co-ops in the post-war era. But the search for other models of co-operative housing continued.

In 1963, the Co-operative Union of Canada, with support from the Canada Mortgage and Housing Corporation (CMHC), studied how co-operative housing was created elswhere in the world, and in 1966, a group in Winnipeg, Manitoba, opened the 200 unit Willow Park Housing Co-operative. It was based on the continuing co-op model which had enjoyed great success in many other countries. This model provides for each member to own a non-tradeable share in the co-operative and for the co-op to own in trust all of the housing units. Members have security of tenure and the co-operative is run as a democratic organization. Tried successfully in every province, this model has become the predominant structure for co-operative housing in Canada.

Housing co-operatives in the 1960s had none of the legislative benefits available to housing co-operatives today or even the tax expenditures then available to private developers. It was possible at that time to build and market this new idea without special government assistance. In 1970 one of the co-operatives which received assistance under a special CMHC "innovative fund" for social housing was encouraged in its efforts to try and include as many low-income households as possible. This was accomplished through a system of rent supplements. This commitment to mixed income pluralistic communities has also become a predominant feature of Canadian housing co-operatives.

Interest in co-operative housing grew throughout the 1960s and 1970s. The Canadian Labour Congress, the Co-operative Union of Canada, and the Canadian Union of Students jointly founded the Co-operative Housing Foundation of Canada (CHF) in order to promote the concept of co-operative housing, study various models around the world, and encourage the development of housing co-ops. CHF was instrumental in having co-operative projects included under CMHC's $200 million social housing "innovative fund" and in the development of the federal government co-operative housing programs which followed in 1973 and 1978. Government responded to the requests of the co-operative sector by creating programs which would help people to help themselves and ensure that Canadians with lower incomes would be included. People who could never have otherwise owned a home became owners in a new form of home ownership.

To date, provincial government financial assistance for co-operative housing has been minimal except in Québec and to a lesser extent in several other provinces. In Québec the Logipop Program has provided funding for local technical resource groups ("GRTs" in their French acronym). Through the program the province also provides funding to housing co-operatives, which have in the past concentrated on rehabilitation rather than on new construction. Combined federal and provincial programs have resulted in strong co-operative growth in Québec. Prior to 1984 the government of British Columbia assisted the development of co-operatives by considering them eligible for homeowner grants. Unfortunately, the entire homeowner grant program has been cancelled. Formerly, the government of Ontario provided some assistance to increase the ability of co-operatives to house low-income households. Ontario now has only a very limited rent supplement program in place for housing co-operatives.

The Current Federal Program

Federal government programs currently provide start-up assistance for groups to organize and plan co-operative housing projects and operating grants to the co-operatives once they are established. These operating grants are used for two purposes: to make the development of affordable modest housing possible during times of high land costs, interest rates, and construction costs and to provide assistance to households to whom monthly housing charges are more than 25% of gross income.

Co-operatives have proved to be a very inexpensive and socially responsible vehicle for administering housing assistance to lower income families. All of the federal social housing assistance they deliver reaches households spending more than 25% of their incomes on housing charges. Co-operatives have also proved to be an effective vehicle for stimulating the supply of modest housing. Over 63% of the federal supply stimulation aid given to housing co-ops goes to households with incomes of $20,000 per year or less. Other federal supply stimulation programs have tended to produce more luxury than modest housing, benefitting higher income households. The co-operative program has been a judicious blend of self-help, community building, and social justice.

More than 30,000 families and individual households now live in 900 co-operatives across Canada. While these homes are not for sale, they have a book value in excess of $1.5 billion. The building of these communities has created over 66,000 person years of employment. There are over 500 Canadians involved in full-time work developing and operating housing co-operatives. Each year over a hundred formal courses are conducted for more than 1,500 men and women involved in housing co-operatives on subjects like management and financing, maintenance, personnel management, and leadership skills. These are supplemented by hundreds of workshops across the country involving several thousand housing co-op members in learning more specific skills ranging from how to conduct a meeting to bathroom maintenance.

A recent CMHC-sponsored survey showed that over 90% of the residents of housing co-operatives felt that their views were important in running their co-operative. Co-operatives have succeeded in breaking the urban trends of community decay and social disintegration through the formation of living, functioning communities which mix people with different social, economic and ethnic backgrounds. Continuing housing co-operatives have also met the needs of special groups in our society, such as people with disabilities, the elderly, and single parent families. Housing co-operatives have done pioneering work on life cycle costing, energy efficiency, and the design of neighbourhoods for children. They have received dozens of design awards. By unleashing the skills of local community groups through co-operative endeavour, housing co-operatives have been able to meet a wide range of housing and housing-related problems.

The Need for More Co-operative Housing

Over the next decade, Canada faces major challenges in the housing field. At present, over 500,000 Canadian households are paying more than 30% of their gross income on housing charges. Their problems could be made worse in the future if high interest rates combined with high land and construction costs continue to make the production of modest rental housing uneconomic and rents for modest housing increase accordingly.

Co-operative housing has demonstrated its effectiveness in supplying community-based, socially integrated housing for moderate and low income Canadians. Federal support has enhanced the ability of housing co-operatives to fulfil these goals and in the process co-op housing has helped the government to meets its national housing commitments. We therefore recommend that:

Recommendation #23

The federal government should continue to actively support the development of co-operatives in the housing sector in Canada.

The co-operative housing resource groups in various cities and towns across the country have assisted greatly in the implementation of the co-op housing program. Providing technical assistance and organizational support, they help local groups to plan, design, and build co-operatives. After five years of experience with the existing co-op housing program, many suggestions have come forward as to how its operation can be improved. We endorse the efforts of co-operators to enhance the program's effectiveness and recommend accordingly that:

Recommendation #24

The effectiveness of the delivery mechanisms of the existing co-operative housing program should be improved following consultation with the co-operative movement.

In addition to improving the present co-operative housing program, co-operators want to continue to experiment with co-operative housing models. The development of new models of housing co-operatives should not be restricted by government and when such models contribute to public

policy goals, they should be encouraged through special program initiatives. We therefore recommend that:

Recommendation #25

Government programs to support the development of housing co-operatives should ensure that all forms of co-operative organization receive consideration and to this end the co-operative sector should undertake research to provide a better understanding of the potential and applicability of different co-operative housing models.

The co-operative sector is proud of the accomplishments which housing co-operatives have been able to achieve over the last fifteen years. The benefits of this innovative form of home ownership and the communities it has spawned will continue to be felt for generations. The recommendations we have made should result in an increase in the percentage of co-operative housing in the total supply of Canadian housing and will extend the social and economic benefits of co-operative housing to thousands of additional Canadians.

CHAPTER 6

CREATING A SUPPORTIVE CO-OP ENVIRONMENT

The development initiatives outlined in the previous chapter will require strong support from existing co-operative organizations and in some cases government as well if they are to achieve their full potential. The Task Force believes that further development of the existing co-operative system and the proposed new initiatives will require a strengthening of support systems in the co-operative movement. Moreover, if the federal government agrees to support co-operative development in the manner we have suggested, certain changes in the way the government structures and carries out its relations with co-operatives will be necessary. In this chapter, we explore two areas which hold opportunities for creating a more supportive environment for the growth and development of co-operatives:

- Strengthening co-op support organizations
- Creating appropriate government structures

STRENGTHENING CO-OP SUPPORT ORGANIZATIONS

The Canadian co-operative system was founded on a philosophy of mutual self-help and in that spirit the movement has created several co-operative support organizations with educational, developmental, and trade association mandates. These include the Co-operative Union of Canada (CUC), representing Anglophone co-operatives, the Conseil canadien de la coopération (CCC), representing Francophone co-operatives, and the Canadian Co-operative Credit Society (CCCS), which provides associational and financial support services and a central liquidity facility to credit unions. In Québec, the Caisse centrale Desjardins plays a similar role for caisses populaires; Ontario, New Brunswick and Manitoba caisse populaire federations are associate members of the Desjardins Caisse centrale. These organizations will be critical to all of the development initiatives proposed in this report as they can provide ongoing national coordination of co-operative efforts. They also represent the logical co-operative organizations for the federal government to work with in those areas where joint development efforts seem fruitful.

The CUC, CCC and CCCS have each contributed much time and effort to coordinating the work of this Task Force. In doing so they have overcome the constraints imposed by their limited staff and resources. This Task Force is concerned that the continuing demands which the implementation of this report will place on those organizations will require additional resources - particularly in the areas of new co-operative development and public and government relations. Thus, we recommend that:

Recommendation #26
The national support associations of the Canadian co-operative movement should be strengthened to provide better assistance to co-operatives, especially those in new sectors, and to provide a strong national voice for co-operatives in the media and with government. The co-operative system should provide the resources that are necessary to achieve this strengthening.

The Task Force is particularly concerned that the co-operative system has not paid enough attention to media relations. All too often the only media coverage of co-operatives consists of reporting on co-operatives in financial difficulty. Again, the relative ignorance of co-operatives perpetuated by the school system and other institutions contributes to this problem. But much of the blame for negative media coverage must fall on co-operatives themselves. When there are co-operative "good news" stories, co-operatives must publicize them. When the co-op system comes together to plan new initiatives as it has done in this Task Force process, it needs to inform the public. There is an exciting story to be told about the potential of the co-operative form of business, but co-operatives will have to be prepared to tell it.

Special attention must also be paid to the situation of Francophone co-operatives outside Québec. At present, the Conseil canadien de la coopération plays an important role in providing education, development, government relations, and other kinds of assistance to these culturally isolated co-ops. Many of these Francophone co-operatives serve a special function in their communities in helping to preserve the French language and cultural heritage. The federal government recognizing this role has provided financial assistance to the CCC. We recommend that:

Recommendation #27

The federal government should continue to recognize that the Conseil canadien de la coopération, together with the provincial Francophone co-op councils, requires special assistance to fulfil its mandate to assist Francophone co-ops and caisses populaires outside Québec in meeting their social and cultural needs, especially in education, training, and government and public relations. The Secretary of State should continue its support of these services to maintain and develop the unique cultural and social role these co-operatives play in their communities.

The Canadian Co-operative Credit Society was founded in 1953 as the national financial facility for co-operatives and credit unions. It also serves as a national association for the credit union system. The primary objective is to provide member organizations with a range of support services, and in particular to provide a central liquidity facility for $18 billion of credit union member assets. It also makes loans to shareholder-member organizations and provides access to external capital.

The Conseil canadien de la coopération (CCC) plays for Francophone co-ops throughout Canada the same role as the Co-operative Union of Canada plays for Anglophone co-ops. There is, however, no national organization providing a full range of services to caisses populaires outside Québec as the CCCS does for credit unions. The caisses populaires have formed provincial federations in Manitoba, Ontario and New Brunswick, and of course, in Québec the Desjardins Group has long had province-wide organizations, including in recent years the Caisse centrale. But caisses populaires outside of Québec have not had access to the full range of services provided by the Caisse centrale.

This situation raises the question of whether the development of a national vehicle for Francophone caisses populaires, analogous to the CCCS,

should be promoted. That question can be looked at from two different perspectives:

- Gradually and, in particular, while this Task Force report was going through the drafting stage, some services were made available to caisses populaires outside Québec - in Ontario, New Brunswick and, to a more limited extent in Manitoba - by the Québec Desjardins Group and the Caisse centrale (multi-unit services, VISA card and compensation). Nothing prevents further developments of this kind in other fields and both sides apparently welcome the idea. There is, however, an obvious imbalance in contractual arrangements between the large Desjardins movement and provincial Francophone federations of caisses populaires.

- Alternatively, one could imagine a co-operative credit association for caisses populaires being set up on a national level under the same enabling federal legislation under which the CCCS was created. Nothing, in principle, prevents the provincial federations of caisses populaires in Manitoba, Ontario, Québec and New Brunswick from applying for letters patent under that Act. Such an organization would create an organic link between all the caisses populaires in Canada and would give the non-Québec centrals more power in reaching agreements with the Desjardins system. It could also enhance the mobility of caisse populaire managers across the country by offering the prospect of employment within a "national system", a prospect that could greatly assist small French-speaking communities in attracting capable managers.

Even though these two approaches originate from opposite points of view, they might end up with very similar arrangements. It is beyond the scope of this report to develop the potential advantages or problems associated with each approach given the many legal and financial issues which would have to be investigated for each alternative. Nevertheless, this

Task Force found that these questions arouse sufficient interest among caisses populaires in various parts of Canada, especially outside Québec, to warrant further study. We therefore recommend that:

Recommendation #28
The federal government should make available resources, which will augment those of the caisse populaire system outside of Québec, to study various arrangements by which liquidity management, cheque clearing, credit card, data processing, and other services could be provided to caisses populaires across the country.

In addition to strengthening the formal associations supporting co-operative development in Canada, it is important to keep in mind the importance of informal co-operative support groups that arise around particular issues or opportunities. This Task Force is one of those as are numerous working groups within the co-op sector. Indeed, these task-oriented temporary groups are a particularly good vehicle by which the sector can assemble significant resources and address issues of national importance in a short period of time.

In particular, we believe this Task Force has proved to be a good approach for developing a national agenda for co-operative development. It has brought both the French and English co-operative sectors together in the development of joint recommendations. All major co-operatives and hundreds of individual co-operators in all provinces were consulted during the Task Force process to secure as wide a variety of views as possible. Working group meetings were held on a number of specific topics such as worker-owned co-operatives, health services co-operatives, fisheries co-operatives, and co-operative capital formation. These interviews and meetings not only highlighted the key issues facing co-operatives but also focused thinking in the co-operative system around what recommendations would be most helpful. The use of independent staff was crucial to this

extensive consultation process as was the dedication of significant staff time and resources from co-operatives across the country.

Given the success of the Task Force process, we recommend that:

Recommendation #29

This Task Force, having fulfilled its mandate, should now be disbanded, but the Task Force model should remain a preferred approach for the co-operative system to address national issues. Moreover, the co-op system should continue to explore and foster joint French/English co-operative initiatives. The other recommendations in this report should provide many opportunities for such initiatives.

CREATING APPROPRIATE GOVERNMENT STRUCTURES

Many of the development initiatives in this report call for federal government support and involvement. Those in the four priority development areas of worker-owned enterprise, health services, fisheries and housing are predicated on federal participation. The Task Force is concerned that the kind of coordination required between the federal government and the co-operative system will necessitate a central mechanism for co-operative responsibilities within the federal government.

Currently, responsibilities for co-operative affairs are spread among many federal offices. Agriculture Canada maintains co-operative statistics and assists in some development initiatives. The Finance Department oversees co-operative taxation and certain credit union and caisse populaire affairs. Various other departments have specific co-operative responsibilities, but no central federal office supports co-operatives per se, and no Minister has formal responsibility for co-operatives.

It must be remembered that the primary responsibility for co-operative, credit union and caisse populaire regulation lies with provincial governments, and in all provinces there are co-operative regulatory bodies. Saskatchewan and Manitoba also have established Ministries to encourage co-operative development. In Québec, the Ministry of Industry, Commerce and Tourism has a Co-operative Division dedicated to similar objectives. The Task Force believes that the existing focus of co-operative regulatory activities at the provincial level is entirely appropriate. However, as co-operatives grow in size and scope of activities, it is also inevitable that they will be increasingly affected by federal legislation and policies.

The ability of the co-operative sector to deal effectively with the federal government will depend on the existence of an appropriate coordination mechanism within government. The current state of affairs, with co-operative responsibilities spread among many departments, requires co-operatives to coordinate their own initiatives among all the government departments involved - a process that is both difficult and costly. We therefore recommend that:

Recommendation #30

In order to simplify and strengthen co-operative relations with government, the federal government should create a co-operative affairs mechanism within government that could assist co-operatives in dealing with policy areas under federal jurisdiction. The federal government should consider a Minister of State for Co-operatives - with a small supporting secretariat - as a way of accomplishing this objective. Once this mechanism is in place, the Anglophone and Francophone co-operative systems should both ensure that appropriate high level co-operative consultation is available to the federal government on policy matters.

The co-operative affairs mechanism we envision should be policy oriented, leaving operational issues to the specific line departments within government. Specifically, such a co-operative affairs mechanism could:

- Advise the various departments on policy matters affecting co-operatives

- Advocate and provide support for co-op initiatives within government but would not interpose itself between co-operatives and other departments with which they deal

- Arrange funding for joint co-op/government initiatives but would not generally develop programs independent of the co-op system

- Conduct briefing sessions for officials in various departments to familiarize them with the structure and characteristics of co-operative enterprise.

The establishment of this co-operative affairs mechanism within government would be more than an administrative change. It would signal to the co-operative system that the federal government recognizes that co-operatives are a major and distinct economic sector in Canada with a unique economic, social and cultural contribution to make to the country. It would also give higher visibility to co-operatives both within the government and in the nation generally.

While a central co-operative policy group in the federal government will go a long way to involving co-operatives more consistently in national economic and social policy, the Task Force is still concerned that co-operatives be represented on other government boards and policy committees. All too often, co-operative leaders are overlooked when such appointments are made. We therefore recommend that:

Recommendation #31

The Government of Canada should commit itself to appointing more co-operative leaders to major commissions and policy-making bodies advising the government.

In a similar vein we have heard complaints and are concerned that co-operatives may not be receiving fair attention in federal economic development programs. As we have illustrated throughout this report, co-operatives are exceptionally good vehicles for regional economic development on a self-help basis. We therefore recommend that:

Recommendation #32

The Department of Regional and Industrial Expansion and the Department of Employment and Immigration should each ensure that co-operatives are receiving a fair allocation of development funds and other assistance. In those cases where regional boards are administering funds, co-op representation should be on those boards.

In some provinces, like Newfoundland, it may be most helpful to make special provision within the general federal/provincial rural development subsidiary agreements for co-operative development funds. Applications for such funds could be reviewed by a special co-operative development board. This would ensure that co-operative development is not overlooked precisely in those rural areas where it holds great promise.

We believe the above recommendations will create an effective and supportive federal government structure for co-operative affairs and, combined with the recommendations for strengthening co-operative education and co-op support organizations, will make possible joint development

initiatives of long-lasting importance. The co-operative system and the country as a whole are faced with a unique opportunity for extending the benefits of co-operation and economic democracy to new sectors of the economy and new segments of the population. The supportive co-operative environment we have described in this chapter will be essential to capturing that opportunity and allowing more Canadians to discover the co-operative option.

CHAPTER 7

IMPLEMENTING THE CO-OP AGENDA

This report has put forward an ambitious agenda for co-operative development in Canada. Accomplishing it will require significant coordination both within the co-operative sector and between co-operatives and other organizations, particularly the federal and provincial governments. In this final chapter we propose a consultative process for building on the work to date, some specific next steps, and a longer term plan for implementing the co-op agenda.

CONTINUING CONSULTATION

The Task Force has tried to consult with as many people and organizations in the co-operative system as was possible in the short time available to complete its work. Meetings were held with over 1,000 co-operators representing nearly 120 organizations from every province. As we noted, these meetings were supplemented by special working group sessions on capital formation, worker-owned co-operatives, health services co-operatives, and fisheries co-operatives. Early drafts of the recommendations were circulated widely and dozens of co-operators responded with written or oral comments. All of these consultations have served to build consensus in the co-operative system around the development agenda put forward in this report.

Nevertheless, in a system as large and diverse as the co-operative sector these efforts constitute only the beginning of a long process of continuing consultation. We hope that the recommendations we have

proposed will be discussed as widely as possible within the co-operative system - at board meetings and planning sessions, in the co-operative press, and at conferences and annual meetings. These discussions will help build consensus throughout the system not only around the recommendations but also for the steps necessary to implement them.

The focal points for stimulating these discussions and circulating their results among co-operatives should be the national support organizations of the co-operative system: the Co-operative Union of Canada (CUC), the Conseil canadien de la coopération (CCC), and the Canadian Co-operative Credit Society (CCCS), as well as educational institutions like the Co-operative College of Canada. They should be able to provide to interested co-operators not only copies of this report but presentational materials summarizing the recommendations for use at co-operative meetings. As for our part, we plan to lead discussions in our own organizations and regions of the country. We hope other co-operative leaders will do the same.

The national support organizations should also take the lead in consultations with the federal government. Hazen Argue, Minister of State for the Wheat Board, has been designated the Minister responsible for receiving and responding to the Task Force report. Continuing consultations with his office will obviously be in order. But depending on the recommendation, consultations with other federal departments will be necessary. For example, the health services co-operative proposals will need to be discussed with the Department of Health; the worker co-operative recommendations with the Departments of Labour, Employment and Immigration, and Regional and Industrial Expansion; and so on. If the federal government adopts our Recommendation #30 creating a central co-operative affairs mechanism in the government, the coordination of those government representations could be greatly facilitated.

The CUC, CCC, and CCCS can also play a role in consultations with the various provincial departments concerned. However, in each province

provincial co-op councils and local co-operatives themselves will need to take the lead in discussions with provincial governments. For example, in Québec, the Conseil de la coopération du Québec will take the lead role in representations to the Québec government.

As we have indicated throughout this report, provincial governments can make a major contribution to co-operative development through the school system, through adequate but not overly restrictive regulation, and by joining with the co-op system in expanding co-operation into new areas such as worker-owned enterprise and health care. We hope provincial governments will not view this report as a "federal" document but rather will see it as an open invitation to all governments and the Canadian people to join with the co-operative system in expanding the scope of co-operation in the Canadian economy.

To that end we believe it will be necessary to have more focused consultations with the key actors involved in each of the four priority development areas. For example, in the area of worker-owned co-operatives consultations should include existing worker co-ops, emerging worker co-op support groups, the credit union and caisse populaire systems, as well as other interested co-operatives. Consultation with the federal government will be essential as we have asked it to take a joint role with the co-operative system in leading the development of worker-owned co-operatives. Discussions should also include the labour movement and provincial governments as well.

In the health co-operative area continuing consultation should involve the existing health co-operatives, other interested co-operatives, and the dozens of community clinics across the country which resemble co-operatives in their locally controlled mode of health care delivery. Consultations with the provincial governments will be essential as only they can make the changes in the methods of payment that will make it possible for health co-operatives to really flourish. And, of course, consultations must involve the federal government because of the unique role it can play as a facilitator in giving visibility to the health co-operative concept and in funding, together with provincial governments, the actions necessary to expand the

sector. Finally, it will be important to involve in these discussions other important groups in the health field such as the Canadian Medical Association and other associations of health professionals.

In the fisheries co-operative area continuing consultations must involve the fisheries co-operatives on both coasts, the Newfoundland-Labrador Council of Co-operatives, and the federal government. The special initiatives we have proposed in the fisheries area will be greatly facilitated if the federal government adopts our Recommendation #20 that a fisheries co-operative division should be created within the Department of Fisheries and Oceans.

In the co-operative housing field consultations will involve not only existing housing co-operatives and the Co-operative Housing Foundation but must also include the co-operative financial system which plays a key role in financing housing co-operatives. Because of the federal government's crucial role in national housing policy, all consultations must obviously include senior officials and the Minister responsible for the Canada Mortgage and Housing Corporation (CMHC). The Task Force is concerned, however, that government policy makers and the CMHC maintain an open dialogue with the co-operative system around co-operative housing policy. That dialogue has become clouded in recent times.

SPECIFIC NEXT STEPS

Some of the recommendations we have proposed will take a long time to implement but others can be enacted relatively quickly. It is all too easy with a Task Force report like this to let the entire set of recommendations drift along without a timetable. It would be impossible at this point to set a specific implementation schedule, but we do want to highlight those steps which could be taken quickly to put parts of the report into effect. In each of the following areas several immediate steps should be taken:

- Capital Formation - Discussions should begin immediately between the co-operative system and the Department of Finance around the possible scope and provisions of a Co-op Registered Savings Plan (Recommendation #3).

- Education - Co-operatives in each province should ask their respective provincial governments to immediately review the state of co-operative education in their public schools and develop a plan for introducing it where the curricula is lacking (Recommendation #7).

- Research - The federal government should immediately make some specific money available for co-operative research, and the Anglophone and Francophone co-operative systems should immediately begin setting research priorities. In the Anglophone system this will mean establishing the recommended working committee on co-operative research (Recommendations #8 and 9).

- Exports - Discussions between the co-op system and the federal government should begin immediately around how co-operative exports can be increased. They should include all relevant offices - especially the Wheat Board, the Department of Agriculture, and Canagrex (Recommendation #10).

- Worker Co-operatives - The recommended Implementation Steering Committee on worker co-operatives should be formed; funding for it secured; staff support arranged; and a work plan for the first year drawn up (Recommendations #12 and 13).

- Health Services Co-operatives - The co-operative system should work with the provincial and federal departments of health to develop an immediate plan for a national conference on Developing a Co-operative System of Health Care Delivery to be held within the next year (Recommendation #15).

- Fisheries Co-operatives - The federal government should immediately begin discussions with the co-operative fisheries sector to develop a plan for the recommended technical resource group for fisheries co-operatives (Recommendations #20 and 22).

- Housing Co-operatives - The English and French co-operative sectors should hold joint discussions around the opportunities for improving the existing co-operative housing program and expanding it to include new models of co-op housing. These discussions should be followed by English and French consultations with the federal government to secure an expanded federal commitment to co-operative housing (Recommendations #23 and 24).

- Co-op Support Organizations - The Anglophone and Francophone co-operative systems should each ensure adequate resources are available to their national support associations to enable them to follow through on the implementation of this report (Recommendation #26).

- Government Structures - The federal government has already studied the possibility of a central mechanism for co-operative affairs within government. It could move quickly to establish such a mechanism as a means of coordinating the responses within government required by this report (Recommendation #30).

THE LONGER TERM AGENDA

Much of the agenda we have outlined in this report is truly long-term. Developing new models of co-operative equity capital will take years. Based on our past experience, achieving widespread use of co-operative educational materials in the public schools could be a never-ending effort. And the development of a strong worker co-operative network or a system of health services co-operatives will probably take at least a decade even if we get on with it quickly. Thus, any plan for implementing this report must have a long time horizon. Of course, the recommendations and proposals contained herein will be modified and new ones put forward as circumstances warrant and co-operative development in each area unfolds.

Any long-term planning process must begin with a serious commitment from the principal parties. In our case that will mean a strong commitment

from the major co-operative organizations in the country. We have already outlined the many consultations that will be necessary to secure that commitment. In the end it will have to be based on a broad consensus of support for these recommendations among co-operators throughout the system.

Also important will be the commitment of the federal and provincial governments in those areas where they have a clear role to play. The federal government will undoubtedly want to take the report under advisement initially. But we will be anticipating a clear response to our initiatives in the near future. Recognizing that an election is approaching we will be encouraging all political parties to make equally strong commitments to the co-operative agenda. We also hope that each provincial government will respond to our initiatives within a reasonable length of time and indicate its willingness to join us in implementing the recommendations.

As we have indicated, overall leadership in implementing the Task Force report should come from the CUC, CCC, and CCCS, and from their major members. Coordination between the English and French sides of the co-op system will be crucial and must occur at the highest levels. But as initiatives unfold in each new area, new groups will naturally become the leaders and coordinators of development. For example, the worker co-operative implementation steering committee should become the leading group in worker co-op development, but in time a more permanent worker co-op development organization will undoubtedly form and take over that role. In the long run the success of these new groups will depend in part on their ability to continue to involve the established co-operative system even as they grow to represent a particular segment of that system, e.g., worker co-operatives. Inter co-operative links will be critical to the emergence of most new sectors - just as they have been for the more recently established housing co-op sector.

In a more general sense we believe that long-term implementation of this report will require increased communication within the co-operative system. We found in our discussions across the country that frequently co-operatives in one province or sector were completely unaware of relevant

developments in another part of the co-operative system. The most notable example was in the area of health co-operatives where we found dozens of dedicated supporters of co-operative and community-based health care who had little contact with each other and even less with the rest of the co-op system. In the area of worker co-operatives there has been little exchange of ideas and practical experience between English and French Canada. Successful implementation of this report will require increased communication throughout the co-op system. The development of conferences and special working group sessions on a variety of subjects should help that process, particularly if they involve groups from different co-operative sectors and different regions. The Co-op College's Contemporary Issues Seminar on the activities of this Task Force was precisely the kind of conference we have in mind; it was quite successful in generating several new ideas which made their way into this report and in building support for the draft recommendations which the Task Force had already put out for discussion.

The discussions around the Task Force recommendations over the course of the next year will doubtless produce modifications and improvements of the initiatives and will generate some entirely new ideas and proposals. With that in mind we believe it would be extremely useful to have the national support organizations of the co-operative system produce a follow-up report on the Task Force one year from now. It could serve to summarize the discussions around the report, collect the new ideas arising from those discussions, and document the progress made to date in implementing the recommendations. It would serve as both a milestone and a spur to further thinking on development. Special resources would have to be put aside for this purpose, but it should not be too costly.

LEADERSHIP AND THE CO-OPERATIVE VISION

The specific initiatives put forward here constitute the formal co-operative agenda but their achievement will depend as much on intangibles as on concrete commitments of funds, staff support, and technical assistance. The most important intangible will be leadership. Successful

long-term development in each of our priority co-operative sectors will require competent and inspiring leadership.

To take a clear case in point, our studies of worker co-operative development confirmed that the single most important factor in the successful creation of new worker co-ops is competent entrepreneurial leadership. With good leadership and management the legal, financial and technical obstacles to a successful start-up can be surmounted with relative ease. Without good leadership and strong management new worker co-ops usually founder.

The same will undoubtedly be true for the worker co-operative sector as a whole. Leaders who can see beyond the creation of their own co-operatives will fashion a movement and help spawn other new worker co-operatives. Such has been the history of co-operatives in Canada. The caisses populaires and credit unions, the pools, retail co-ops, and every other co-operative sector in Canada has had a small group of visionary leaders who inspired its early development. In most cases they arose spontaneously from the co-operative movement itself and honed their leadership skills in co-operative battles. Those battles have become the stuff of co-operative legends.

The long-term implementation of the co-op agenda will require a new generation of visionary leaders. As we said in Chapter 1, the word vision is out of vogue these days and we suppose visionary leadership is equally passé. But the challenge of creating responsive democratic institutions demands nothing less. To be sure we are not talking about messiahs. What is needed is a small group of dedicated leaders in various communities who share a common vision. We are confident from our consultations that the co-operative system contains many such potential leaders - which is what one would expect given the high level of democratic participation throughout the sector. What is lacking right now is a consensus around a common vision.

We hope this report has helped to clarify what that vision could be. It most decidedly has a way to go yet. Acknowledging that, we have drafted this report not as a conclusive view of the way things should be, but as an invitation and challenge to co-operators throughout Canada to

continue the process of defining a co-operative vision. In the end it will not be through words that a vision is clarified but through actions - through the creation and nurturing of new co-operatives and the renewal of old ones. The challenge is clear. We now look forward to those actions.

APPENDIX A

CO-OPERATIVE INNOVATION

Co-operatives promote economic growth both as innovators and as spreaders of innovations. In both English- and French-speaking Canada, co-operatives find that their ability to indentify consumer needs and create new products is enhanced by the high degree of member participation in decision-making. Moreover, because co-operatives are interested in maximizing benefits to members, they will encourage the rapid spread of innovations even though in many cases such rapid diffusion does not maximize returns for the co-operatives. This ability to spread new technology rapidly is particularly important for the efficiency of the economy as a whole.

The Economic Council of Canada in its recent report, "The Bottom Line", concluded that slow diffusion of new technology in the economy is one of the greatest impediments to higher productivity and economic growth. It noted that diffusion among individual firms is particularly slow - as opposed to diffusion within single businesses.

Co-operatives because of their activities in many industries and close relations with one another are particularly good vehicles for spreading innovations among firms, across industries, and to individuals who will benefit most from them. Data processing is one area where this has occurred widely in the co-operative movement.

Listed below are a sample of co-operative innovations in various fields. The list is by no means complete and serves only to make the point that co-operatives make an important contribution to the economy as innovators and diffusers of innovation - in both products and services.

A REPRESENTATIVE LIST OF CO-OPERATIVE INNOVATIONS IN CANADA

Field	Innovation
Finance	• Introduced first automated teller machines • Started daily interest accounts • Began "no-strings" RRSPs • Initiated international on-line branch banking • Pioneered recognition of 100% of woman's salary in making family loans • Created open mortgages: early repayment permitted, no penalty • Introduced exchange of variable rate mortgages for fixed rate at no charge • Introduced weekly payment mortgages
Agriculture	• Introduced computerization of country grain elevators • Sponsored experimental provision of Telidon Videotex agriculturally-oriented, two-way interactive television to the farm • Developed precast concrete elevator technology now being exported to Brazil • Spear-headed original research and development of canola • Developed first process to turn oilseed into oils for human consumption • Introduced computerized farm management services (e.g., weed control, fertilizer blending, least-cost feed formulations, accounting, and financial management)
Health	• Introduced first dental insurance plans in Canada • Founded first co-operative community clinics

Retail	• Pioneered one-stop shopping • Introduced first full-service home centres with retail sales, grocery, hardware, and lumber (also including coffee shop/social centre) • Created direct-charge co-operatives with no mark-up
Petroleum	• Introduced evaporation controls for farm storage equipment • Was first to supply distillate for the kerosene tractor • Pioneered numerous innovations in oils including: canola-based grease, multrex oils, and computerized oil analysis for diagnosis of engine problems
Insurance	• Was first to introduce greater accident benefits for seat belt users • Introduced first contingent collision and under-insured motorist coverage
Housing	• Pioneered mixed income housing

Co-operative innovations have been introduced not only for their members but also for their employees. Co-operatives have led the country in the development of progressive pension systems. The Co-operative Superannuation Society pension plan was the first in the country to include rapid vesting, portability, employer lock-in provisions and full disclosure. It has since served as a model for both private sector and provincial government plans.

APPENDIX B

A NOTE ON FRANCOPHONE CO-OPERATIVES IN CANADA

When the first credit and savings co-operative was founded in 1900 by Alphonse Desjardins in Lévis, Québec, special social and economic conditions existed in the province. Proposed by the clergy as a model of economic organization which was more in conformity with the interests and values of Catholic Francophones, a financial co-operative system rapidly developed in Québec. This new system proved to be highly successful in meeting the specific social, cultural and linguistic needs of the French Canadians, putting them in control of their own financial affairs. The needs of Francophones to affirm their economic and cultural power by availing themselves of the means to control their finances explains the rapid expansion of the caisses populaires in Québec as well as in other Francophone communities outside of Québec. The co-operative movement supplied the means for the economic emancipation of ethnic and linguistic minorities - an instrument of economic nationalism. This appendix will attempt to briefly document the position of Francophone co-operatives in communities both within and outside of Québec.

THE CO-OPERATIVE MOVEMENT IN QUEBEC

The co-operative movement has been important in Québec for a long time. Since the 1960s, co-operatives have ranked among the province's principal economic forces. But co-operation has not developed equally in all economic sectors. In savings and credit, and in the agricultural sectors, the expansion of the co-operative system has almost reached its limit. In

other sectors, co-operation has not developed to such an extent, providing opportunities for continued growth.

The major growth of Québec's co-operative movement took place at the same time as the Francophone economic and cultural emancipation. The 1960s constituted an important phase in the history of Québec which confirmed the economic and cultural rise to power of French Canadians. The Quiet Revolution, as this period was called, coincided with an important phase of consolidation and expansion of co-operative activities in credit and savings, and in the agricultural sectors. An important era of diversification of the co-operative movement was also taking place - new sectors such as consumer and housing co-ops were taking shape. This rapid expansion was stimulated by the nationalist current of the time, and found favour with the provincial government. In fact, the Québec government took concrete legislative steps to accelerate co-operative development in Québec. New laws were adopted, others amended, in order to better meet the specific needs of co-operatives.

Since the 1960s, successive governments in Québec have adopted a favourable attitude with regard to co-operatives. In 1968, a Ministry of Financial Institutions, Corporations and Co-operatives was created. This action confirmed Québec's willingness to recognize the co-operative sector as an important player in economic development. Co-operatives are now represented within the Québec government through the Department of Co-operatives which comes under the Ministry of Industry Commerce and Tourism. This department in addition to its basic mandate, plays an important role in Québec's co-operative development. Finally, in 1977, the Société de développement coopératif (SDC) was created jointly by the government and co-operatives with the purpose of supplying financial and technical assistance to new co-operatives. In 1984, the SDC will become a Crown Corporation.

The Conseil de la coopération du Québec (CCQ) is responsible for the promotion and protection of the general interests of Québec's co-operative movement. The CCQ participates in the development of Québec co-operatives as well as speaking for the movement when the need arises to clarify, interpret or convey the principles and methods of co-operation. The CCQ,

which has existed for over 40 years, is comprised of 19 members which include co-operative federations and co-operatives of provincial stature.

In almost every Canadian province, the Canadian Francophone co-operative movement has created an organization whose role is similar to that of the CCQ in Quebec. But the various provincial "conseils", although established for the same purposes, face situations which differ enormously from one area to another. Moreover, the resources of these organizations are generally very restricted.

THE FRANCOPHONE CO-OPERATIVE MOVEMENT OUTSIDE QUEBEC

Among Francophones outside Québec, co-operatives play a key role not only from an economic point of view but also from a social and cultural point of view. Indeed, co-operatives constitute the only institutional model which has penetrated Canadian Francophone communities.

Caisses populaires, more than any other kind of co-operative, play a predominant role among Francophones outside Québec. In the majority of areas, they date back to the 1930s and 1940s. In the West, the first caisses were established by pioneers who had travelled from the East in search of larger tracts of farmland.

In Ontario, New Brunswick and Manitoba, the caisses populaires are grouped together in provincial federations. The formation of federations reinforces the caisse populaire system as a whole in each of these provinces by supplying a common direction and Francophone services in all of the caisses. The protection of the Francophone character of these federations and of their members is a key priority within the caisse populaire system.

In the provinces where there are no Francophone federations (British Columbia, Alberta, Saskatchewan, Prince Edward Island and Nova Scotia), the caisses populaires must look to Anglophone credit unions in order to receive support services. In fact, because co-operatives come under

provincial jurisdiction, Francophone caisses populaires in those provinces without caisse populaire federations are not able to associate themselves with the network of caisses populaires in other provinces. Separated in this way from the rest of the caisse populaire system, their existence is often precarious.

Outside Québec, Francophone co-operatives are vulnerable to assimilation, especially when they cannot count on support services in French. Numerous bilingual co-operatives exist which offer services in French because some of their employees speak French. These co-operatives attract a strong proportion of Francophone members but management of the co-op is generally not administered in French so they cannot be considered to be Francophone co-operatives. The majority of these bilingual co-operatives were originally established by Francophones and administered in French. The increase in membership among Anglophones due to the expansion of co-operatives and the obligation to be associated with Anglophone support structures brought about the progressive assimilation of a great number of these Francophone co-ops.

Recently however, the situation has changed. Francophone members and groups, supported by regional Francophone cultural associations, have decided to put an end to the progressive assimilation of their co-operative institutions and take control of their development. Outside Québec, protection of the Francophone character of co-operative institutions has become a priority. In order to meet their growth objectives, Francophone co-ops must make considerable efforts in Francophone co-operative education, as well as in the recruiting and training of Francophone managers.

British Columbia,
Alberta and
Saskatchewan

Francophones represent less than 3% of the population in these three provinces. Most British Columbia Francophones are located in Vancouver but no real French-speaking communities can be found in the province except in Maillardville. The Maillardville caisse populaire has assets of over $28 million and is deeply involved in the community. The only Francophone caisse

populaire in Vancouver recently experienced financial difficulty and had no other alternative but to merge with a credit union. Although certain services are still offered in French, Francophones have lost the administrative control of their caisse and therefore the Francophone character is also threatened.

In Alberta, there are two categories of co-operatives found in Francophone areas - those that serve Francophones only and those offering bilingual services. The need to recoup their significant technological investments has in fact obliged certain Francophone caisses populaires to increase their membership among the Anglophone population. Originally Francophone, several of these caisses populaires have become bilingual.

The Francophone co-operatives of Alberta, although not grouped together in federations, are nevertheless attempting to plan their collective development. Presently, resources are being allocated to the development of Francophone co-operatives in sectors where the survival of the organization will not require a large membership base.

The situation appears to be different in Saskatchewan although Francophones there also represent less than 3% of the province's population. But more than half of Saskatchewan's Francophones are members of co-op organizations. Still, this high proportion of Francophone co-operation has not prevented the gradual assimilation of approximately forty Francophone caisses populaires founded in the 1940s. By 1980, only four Francophone caisses populaires remained in the province. Since 1980, however, the assets and number of members have multiplied fivefold in certain cases. A financial co-operative dedicated to economic development is also being established to affirm the economic and cultural power of a Francophone community by investing in the area to create jobs. The Conseil de la coopération de la Saskatchewan has been instrumental in this project and in reviving Francophone caisses populaires and other co-operatives in Saskatchewan.

Ontario,
New Brunswick
and Manitoba

Caisses populaires in Ontario, New Brunswick and Manitoba have formed provincial federations within each province. The federation of caisses populaires in Ontario experienced certain financial difficulties in 1980, but the situation has improved over the past few years due to financial restructuring and a re-organization. Better representation of the regions in the upper echelons of the federation has strengthened the federation and has consequently enabled steps to be taken for the financial recovery of the federation.

The concentration of Francophones in Ontario is great enough to support the expansion of Francophone institutions. The caisses populaires and the Francophone co-operatives of Ontario are nevertheless concerned about the preservation of their Francophone character and the social and cultural aspect of their mission. In certain areas, specific rules have been adopted so as to protect the Francophone character of threatened co-operative institutions.

In Manitoba, the federation of caisses populaires has set a primary objective of preserving French culture in Manitoba through a strong financial co-operative system. The Manitoba caisses populaires have also become genuinely involved in community activities through the sponsorship of cultural, social and athletic events. In 1984, the Fédération des caisses populaires du Manitoba boasted 26 caisses and total assets of $130 million. The majority of the caisses are centered in the St-Boniface and surrounding communities.

After having experienced considerable expansion in the 1970s, the Manitoba caisses populaires went through a financial crisis in the early 1980s as has much of the Canadian economy. A consolidating and rationalizing plan has permitted the caisses populaires to improve their situation. The

priorities of the federation are to attain a healthy financial status and to improve the image and credibility of the caisse populaire system with respect to Manitoba Francophones as well as the general public.

In New Brunswick, the Francophone minority represents no less than 40% of the population. The New Brunswick Acadians form a cultural community separate from the rest of Canadian Francophones, as well as being heavily concentrated geographically. But co-operation is very strong in the Acadian community - 80% of Francophones in New Brunswick belong to co-operatives.

The Fédération des caisses populaires acadiennes unites 88 caisses populaires, with global assets attaining $388 million in 1983, four times larger than the credit union movement in New Brunswick. Over the years, the Acadian caisses populaires have established a range of support institutions whose purpose is to improve the quality and scope of services offered to their members and to New Brunswick co-operatives in general. The insurance company of the Acadian caisses populaires insures loans and caisse populaire share deposits, as well as providing other insurance products to members. The Stabilization Office administers security and special reserve funds for the benefit of the caisses populaires in order to protect the members' assets. Les Services Unis de Vérification et d'Inspection Inc. audits the caisses populaires as well as co-operatives.

There are also a number of Francophone co-operatives in non-financial sectors. Together with the caisses populaires, they have formed the Conseil acadien de la coopération, comprised of 36 co-operatives in various sectors and responsible for the direction, planning and coordination of Acadian co-operatives. The Acadian co-operative movement has also established the Institut de coopération Acadien to train managers and other employees in the movement. Acadian co-operators have further contributed to Francophone co-operative education by funding scholarships and grants for co-operative study and research.

New Brunswick caisses populaires have experienced rapid growth in the past ten years, taking advantage of the cultural emergence of Acadians

in New Brunswick and in Canada. The accelerated growth of the past five years must be attributed to a large extent to the role played by the Institut de coopération Acadien, the fédération des caisses populaires acadiennes and the Conseil acadien de la coopération. These institutions are responsible for training the executives, leaders and members of the movement.

The Acadian co-operative movement, because of its financial role among Acadians, is presently considering intervening in the economic and industrial development of the Acadian peninsula through a co-operative investment society.

Prince Edward Island
and Nova Scotia

The Prince Edward Island Francophone co-operatives are concentrated around Wellington, a predominantly Francophone area. One caisse populaire and eight co-operatives in various sectors serve the area. In 1970, there were three caisses populaires in the area, but they merged into one organization for financial reasons as well as to provide better services for members.

The fact that there is a Prince Edward Island Francophone community still in existence is largely due to co-operation. The area boasts few businesses. Without co-operatives, there would not be enough jobs in the area to serve the population and the Francophone community would have disappeared. Some of the co-operatives were in fact created precisely to create employment. The Acadian Tourist Village and Restaurant are tourist attractions which create employment for a good part of the year. Further experiments are being undertaken - a considerable investment has recently been made in a cultural centre, designed to lengthen the tourists' stay in the area.

The Conseil de la coopération de l'Isle du Prince Edouard is very active in promoting co-operation among the Francophone population, especially among young people. Solid efforts are made in schools (student caisses, co-operative games, distribution of informative material) and amongst

adults (conferences, home information sessions). The objective of the council is to make the population aware of the economic and social value of the co-operative institutions within their community.

In Nova Scotia, the Cheticamp area has spawned seven co-operatives. It is in this area of Nova Scotia where co-operation has known its greatest success. Certain conditions were inherent to this success: a sparsely populated area where a strong concentration of Francophones is found.

The Conseil coopératif acadien de la Nouvelle Ecosse has only been in existence since 1981. Its goal is to stimulate co-operative development among the Francophones of the province. But at present the Conseil coopératif acadien does not have sufficient resources to consider regrouping the Francophone co-operatives of all the areas in Nova Scotia and therefore it must limit its role to the Cheticamp area.

APPENDIX C

A NOTE ON STATISTICS USED IN THE REPORT

In analyzing the state of the co-operative sector and its capital position, the Task Force relied on statistics from a number of sources. Non-financial co-op statistics were obtained from the Co-operatives Branch of Agriculture Canada and from the Co-op Divisions of the Ministry of Industry, Commerce and Tourism in Québec; credit union and caisse populaire statistics from Statistics Canada; and co-op insurance company statistics from the Report of the Superintendent of Insurance for Canada, as well as industry publications. We also made extensive use of general economic statistics from Statistics Canada for many comparative performance analyses. In addition to these formal statistical sources, we used data from co-op annual reports, the Financial Post and other publicly available sources.

The Task Force is particularly indebted to the Co-op Branch of Agriculture Canada for its assistance in assembling non-financial co-op statistices. Official data pertaining to non-financial co-op memberships, revenues and assets have been quoted extensively throughout this report. Unfortunately, these official statistics that we have used tend to understate the co-op presence in Canada. Many small co-op businesses - perhaps as many as 15% of the total - do not report statistics to Agriculture Canada either because they are not contacted or because they have limited resources for this type of reporting. Furthermore, Agriculture Canada has no legislated authority to enforce data collection as does Statistics Canada.

The understatement of non-financial co-op statistics is most pronounced in employment figures, which are grossly under-reported. Complicating this problem is the fact that employment statistics for credit unions and caisses populaires from Statistics Canada are also incomplete. We have, therefore, not used official statistics in our analysis of Canadian co-op employment. In piecing together a more accurate picture of employment in the co-operative sector, we have gone beyond these inadequate official statistics to other sources including: co-op annual reports, independent estimates of employment in non-financial co-ops, and regional employment statistics for credit unions and caisses populaires projected to national levels through asset/employee ratios.

Finally, both Agriculture Canada and Statistics Canada collect statistics on numbers of co-op memberships rather than numbers of people belonging to co-ops. The former overstates the number of people in the co-op system because individual members can have memberships in more than one organization. We have estimated the total number of Canadian co-op members based on a public opinion survey of Canadians commissioned by the Canadian Unity Information Office (CUIO) in 1983 to find out more about Canadian co-operators. Thus, statistical references to "memberships" throughout the report are based on data from Statistics Canada and Agriculture Canada, whereas statistical references to "members" are based on the CUIO public opinion survey.

APPENDIX D

TASK FORCE CONSULTATIONS

As is the case with most initiatives in the co-operative sector, the Task Force process was very participative. All told, nearly 120 co-operative organizations and over 1,000 co-operators were contacted during the three month activities of the Task Force. Most of these people were met in face-to-face interviews and meetings conducted across the country in both official languages. As travel time ran out, others were contacted in writing and were invited to make submissions to the Task Force. Each of the following organizations and individuals have participated in the activities of the Task Force and has contributed to its success. (Organizations serving more than one province have been listed only in the province where they are headquartered. Individuals are listed only when they were not interviewed as representatives of any one co-operative organization.)

BRITISH COLUMBIA

B.C. Central Credit Union
CODA (Worker Co-op Development Group)
CRS Workers Co-op
CU&C Health Services
Campbell Sharp and Company
Conseil de la coopération de la Columbic-Britannique
Co-op Housing Federation of B.C.
Fraser Valley Milk Producers
Group of B.C. Credit Union Board Members and Managers
Group of Retail, Credit Union and other Co-operators on Vancouver Island
Mount Arrowsmith Consumers' Co-operative
Nanaimo District Savings Credit Union
Nanaimo Mid-Island Co-operative ("Hub")
Prince Rupert Fisherman's Co-operative Association
Surrey Credit Union
Vancouver City Savings Credit Union
Vancouver Inner City Housing Society
Westcoast Savings Credit Union
Bill Wright, Lawyer

ALBERTA

Alberta Wheat Pool
Conseil Albertain de la coopération
Credit Union Central (Alberta)
Edmonton Savings and Credit Union
Laird Hunter, Lawyer
Medicine Hat Savings and Credit Union
Union Centre Savings and Credit Union
United Farmers of Alberta

SASKATCHEWAN

Bill Bergen, Consultant
Antoine Bindet, Gracia Chabot, Clément Dion, Dollar Hudon Raymond Larochelle and Armand Perrault (Zénon Park)
Caisse populaire de la Fransceskoise
Conseil de la coopération de la Saskatchewan
Co-operative College of Canada
Co-op Hail Insurance
Co-operative Trust Company
Credit Union Central (Saskatchewan)
Joe Dierker, Lawyer
Federated Co-operatives
Prince Albert Co-op Health Centre
Regina Community Clinic
Saskatchewan Department of Co-operation and Co-operative Development
Saskatchewan Wheat Pool
Saskatoon Community Clinic
Saskatoon Credit Union
Wynyard Community Clinic

MANITOBA

Conseil de la coopération du Manitoba
Coopérative de consommation de St-Léon
Credit Union Central (Manitoba)
Department of Co-operatives, Manitoba Government
Fédération des Caisses Populaires du Manitoba
Maurice Gauthier (représentant aux langue officielles
Henry LaFortune (Collège St-Bonifac
Manitoba Pool Elevators
Norwest Co-op Health Services
Gilberte Proteau (Boni-Coop, Village canadien)
Villa Youville

ONTARIO

Action Day Care
Agriculture Canada
Alliance des caisses populaires
Caisse populaire de Sudbury
Canadian Co-operative Credit Society
Conseil de la coopération d'Ontario
Coopérative Funéraire de Sudbury
The Co-operators Group
Co-operative Housing Foundation of Canada
Co-operative Housing Federation of Toronto
Co-operative régionale de Nippissing-Sudbury Ltée
Jack Craig, York University
The CUMIS Group
Fédération des Caisses Populaires
Fisheries and Oceans Canada
Gérard Lafrenière (université Laurentienne
Ontario Central Credit Union
Sault Ste. Marie Group Health Centre
United Co-operatives of Ontario

QUEBEC

Association coopérative des pêcheurs de Rivière-au-Renard
CADIEX
Centre de gestion des coopératives (Ecole des Hautes Etudes Commerciales)
Comité de coordination des coopératives funéraires du Quebec
Confédération des caisses populaires et d'economie Desjardins du Québec
Conférence des coopératives forestières du Québec
Conseil canadien de la coopération
Conseil de la coopération du Québec
Coopérative Agricole de la Côte Sud
Coopérative d'artisanat l'Empreinte
Coopérative des producteurs de sucre d'érable du Québec
Coopérative de recherche et d'information (CRI)
Coopérative de services en biens de consommation du Québec
Coopérative des travailleuses et et travailleurs de théatre des Bois-Franc
Coopérative Fédérée du Québec
Direction des coopératives, Ministère de l'Industrie, du Commerce et du Tourisme
Fédération des ACEF du Québec
Fédération des Caisses d'etablissement du Québec
Fédération des coopératives du Nouveau-Québec
Fédération des coopératives d'habitation de l'île de Montréal
Fédération des coopératives d'habitation populaire des cantons de l'Est
Fédération des coopératives québecoises en milieu scolaire
Institut de recherche et d' enseignement sur les coopératives de l'université de Sherbrooke
Pêcheurs Unis de Québec
Paul Prévost (université de Québec à Chicoutimi)
Purdel
Regroupement provisoire des coopératives de taxi
SSQ, Mutuelle d'assurance-groupe
Société Agricole des Bois-Franc
Société de développement coopératif
Société d'Habitation Alphonse Desjardins
Société Nationale de l'Est du Québec

NEW BRUNSWICK

Association coopérative des pêcheurs de l'île
Conseil acadien de la coopération
Co-op Atlantic
Ronald LeBlanc (université de Moncton)
United Maritime Fishermen

NOVA SCOTIA

Conseil acadien de la coopération de la Nouvelle-Ecosse
Credit Union Central of Nova Scotia
Farmers Co-operative Dairy
Northend Community Clinic

PRINCE EDWARD ISLAND

Conseil de la coopération de l'île-du-Prince-Edouard

Tignish Fisheries Co-op

NEWFOUNDLAND

Credit Union Council of Newfoundland

Fogo Island Co-operative

Government of Newfoundland - Department of Rural Development

Newfoundland/Labrador Federation of Co-ops

OTHER

Co-operative League of the U.S.A.

Group Health Co-operative of Puget Sound

Industrial Co-operative Association

North Carolina Worker Co-operatives

Québec Federation of Community Clinics

U.S. Consumer Co-op Bank